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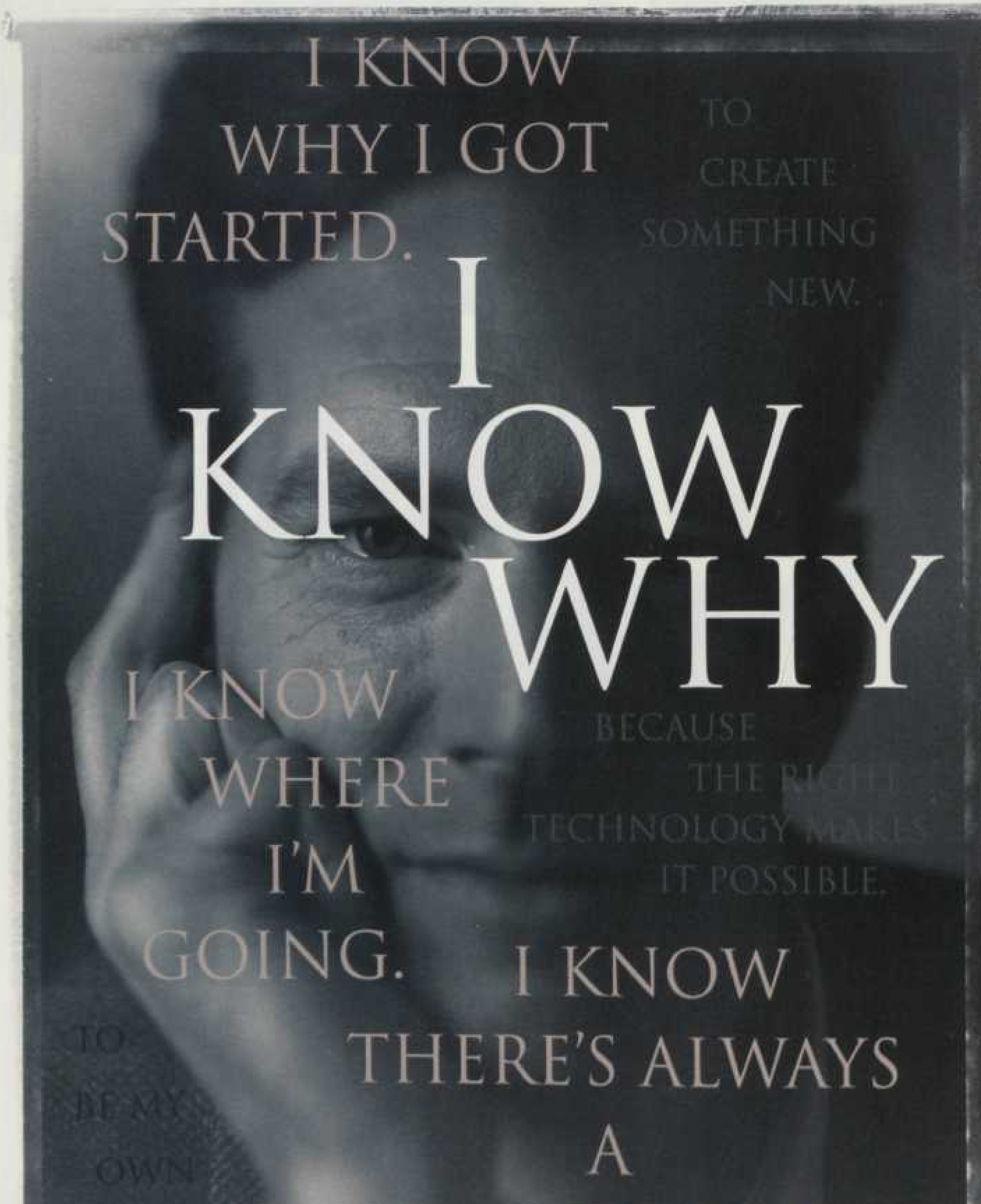
Protection For Home-Based Firms

The Enemy Within

Disgruntled employees can be a real threat to small businesses. But there are ways to protect yourself.

FEBRUARY 1995 · $2.50

Published by U.S. Chamber of Commerce


I KNOW
WHY I GOT
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TO
CREATE
SOMETHING
NEW.
I
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GOING.
BECAUSE
THE RIGHT
TECHNOLOGY MAKES
IT POSSIBLE.
I KNOW
THERE'S ALWAYS
A
BETTER WAY.
TO
BE MY
OWN
BOSS

I NEED TO KNOW THE WAY.

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WHERE DO YOU WANT TO GO TODAY?

Nation'sBusiness

Published by
U.S. Chamber of Commerce
Washington, D.C.

PHOTO: ©JOHN NELSON—SAN DIEGO TRIBUNE

Any workplace violence—*like the shooting at a California defense plant that wounded this victim—seems to signal the destruction of the last sanctuary in an increasingly violent world. Yet such acts are rare and often preventable. Cover Story, Page 18.*

PHOTO: ©JOE STEWARDSON

Clothing *woven from recycled plastic helps Linda Bavaro fill a niche for "green" products. Marketing, Page 30.*

VOL. 83, NO. 2

Editor's Note

PHOTO: ©PAUL FETTERS

Entrepreneur *Robert L. Johnson built Black Entertainment Television into a media powerhouse. Making It, Page 13.*

DEPARTMENTS

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Embarking On A New Era

PHOTO: T. MICHAEL KEZA

Editors *Bob Gray and Mary McElveen.*

Nation's Business begins a new era this month. After almost 26 years with the magazine and nearly 13 years as its editor, Robert T. Gray has retired. However, the strong foundation he helped establish will serve as the starting mark for the strides we intend to take in the months to come.

During Bob's tenure, he developed a keen sense about the information needs of small companies. Indeed, he established *Nation's Business* as *the* small-business adviser. We plan to continue that emphasis with a staff dedicated to making these pages even more relevant to the owners and managers of small companies.

Recently, the headlines have painted an alarming picture of workplace violence; every few days, it seems, an enraged employee comes gunning for his or her boss and co-workers.

While lethal workplace incidents are actually quite rare, violence of any kind is so disruptive that smart businesses should try to head it off. In this month's cover story, beginning on Page 18, Senior Editor Michael Barrier relates how that can be done.

You might also want to express your opinions on workplace violence by responding to our Where I Stand poll on Page 72.

Other articles you won't want to miss include the investment outlook in Small Business Financial Adviser, Page 61, and the story on Page 40 on the recently issued regulations for the Family and Medical Leave Act of 1993.

Mary Y. McElveen

Mary Y. McElveen
Editor

Nation's Business

Letters

Streamlined Government Is A Disappointment

Regarding November's Dateline: Washington: I can only say that I am greatly disappointed to date in Vice President Al Gore's "streamlining" of the federal government. As a small-business owner, I have been trying for more than three months to get bid information from the U.S. Forest Service.

Moreover, citing the Freedom of Information Act, I have made several written

ILLUSTRATION: WILLIAM COULTER

requests for data—to no avail. As far as I am concerned, it has been mostly hot air from the reformers in Washington.

Max D. Isaacson, CEO
America's Best, Inc.
West Des Moines, Iowa

How Liability Lawsuits Devastate Small Firms

In his November letter, George A. LaMarca, vice president of the Iowa Trial Lawyers Association, said, "The threat of a lawsuit should not create an atmosphere of fear for engineers, designers, and chief executive officers." In fact, a lawsuit is most debilitating for a small company. Owners and managers become immersed in the lawsuit—to the detriment of marketing, employee relations, and overall management. A real or even perceived threat of a lawsuit may cause owners to close up shop, sell out, or attempt to move overseas.

In cases of product liability, personal injury, or discrimination, attorneys are generally paid on a contingent basis, and they essentially become partners with the plaintiff. In these "partnerships," the attorney quickly becomes the "managing partner." The issue becomes one of dollars and deep pockets.

A plaintiff's attorney knows that in a minor suit a defendant's legal expenses can easily reach $50,000. Many times a plaintiff's attorney will try for a quick settlement of $50,000 (or the estimated cost of the legal defense). In this way, the opposing attorney can receive up to 50 percent or a quick $25,000 for little work and minimal expense. In other professions, this would be called extortion. But in the legal realm, it is known as pressing for a settlement for "economic reasons" or for the defendant's "peace of mind."

Contingent fees are illegal in most foreign countries and are illegal in claims and suits against the U.S. government. Unfortunately, U.S. businesses lack this protection.

Fred P. Clark, President
Orlando Helicopter Airways, Inc.
Sanford, Fla.

If Not Law, Maybe Comedy

It appears that in choosing the legal profession, George A. LaMarca missed his true calling of a stand-up comedian. He said the threat of a lawsuit should provide a guideline and a challenge to do better. I would suggest that market forces do that. All the threat of a lawsuit does is discourage production.

Wayne Hooks
Shadetree Farms
Nichols, S.C.

Societal Ills

In George A. LaMarca's letter, we have good examples of some of our societal ills. Mr. LaMarca doesn't recognize that the manufacturer loses as soon as the suit is filed because it must pay its lawyer even if the product is ultimately judged to be neither defective nor unreasonably dangerous. By failing to recognize this, he and all lawyers are perceived as self-serving members of a special-interest group.

H. "Bud" Hill Jr.
Attorney At Law
Glendale, Calif.

More On Cancellation Of Disney Theme Park

How ironic that in his December letter, Mason Gardner complained about the threat to "our freedom and our Constitution" with respect to Disney's cancellation of plans to build a historical theme park near the Manassas, Va., national battlefield. I don't know what "pressures" Mr. Gardner is talking about with respect to a

"small, rich, powerful clique." But I do know that I opposed the park, and I'm not wealthy or powerful.

Perhaps Mr. Gardner should travel to Anaheim, Calif., or Orlando, Fla., and look at the asphalt jungles around the Disney parks at these locations. Would the same scene be a fitting tribute to the men who fought and died in the battles of Bull Run?

Phillip Huyser
Batavia, Ill.

It's Time For Politicians To Level With Voters

Political leaders regardless of party can no longer promise the moon. Instead, level with me. Tell me how black things are and how much it will hurt to solve our problems. Give me a platform that says, "This is going to be a tough job to fix this mess," and I will work feverishly to support it.

Warren S. Anderson
Springfield, Ore.

Earned Benefits Vs. Unearned Benefits

In the second December Where I Stand question, you ask the following: "To achieve significant spending cuts, would you approve of reductions in entitlement programs, which include Social Security, federal civilian/military retirement, Medicare, Medicaid, veterans' benefits, and welfare?" You refer to contractual benefits such as Social Security and retirement benefits in the same classification as unearned welfare benefits. I am not just entitled to Social Security and retirement. I have earned and paid for these benefits by investing my time, money, and service.

Unearned welfare and earned benefits should never be considered in the same category as you have done by lumping them under the term "entitlements."

Cmdr. John D. Martin,
U.S. Naval Reserve (Ret.)
President
Florence Herald Printing Co., Inc.
Florence, Ala.

[Editor's Note: Federal entitlements typically refer to payments made to individuals if the individuals meet certain qualifications. We listed a number of programs where payments are made according to federal law based on individuals meeting specific criteria. For results of the December Where I Stand survey, see Page 73.]

Editorial On Health Care Revealed Political Slant

As a Kansas Republican and a constituent of Bob Dole's, I resent the Republican bias in your otherwise thought-provoking November editorial ["You Don't Achieve Simplicity With A 1,342-Page Bill"] on the health-care debate. Was your subject health-care reform or politics?

Duane Benton
Westwood Hills, Kan.

ILLUSTRATION: MICHAEL ROOK

The Davis-Bacon Act's Hourly Wage Rules

With regard to the Davis-Bacon Act wage issue, let me add the following interesting paradox: Under the Davis-Bacon rules covering federal construction projects, we are required to pay anywhere from $5.33 per hour to in excess of $35 per hour for the same level of ability, depending on circumstances. There is some doubt in my mind as to whether the lower rate is fair, but there is no doubt that the higher rate is ludicrous.

In a country that espouses free enterprise and open markets, we are certainly sending mixed signals to the rest of the world. The Davis-Bacon Act is in no way a true reflection of market forces.

Richard C. Fadeley Jr., Owner
Allsteel Products Co.
West Columbia, S.C.

"White Males Need Not Apply"

The December article on diversifying a work force, "Casting A Wider Employment Net," should have been titled "How To Hire Based On Race, Gender, Religion, And Sexual Preference." Or more simply, "White Males Need Not Apply."

My great-grandfather faced this type of open discrimination with "Irish need not apply," but I never thought my children or even I would experience it.

Steven John Benn
Monroe, Mich.

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. You may fax your letter to (202) 887-3437. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.*

Entrepreneur's Notebook

By Juan Faxas

Still A Player During A Strike

Our company makes professional-quality baseball bats. Last summer, major-league players went on strike, taking 94 percent of our market with them. For most firms, that would mean sure doom, but for us, it has meant new direction and faster-than-planned growth.

My family and friends and I started Glomar, Inc., based in Fullerton, Calif., more than three years ago. At the time, we figured that our best bet—given limited capital and resources—was to start at the top, establish our name in the big leagues, and then use those high-visibility sales to fund the manufacturing capabilities we would need to survive in retail and other markets.

We started by meeting strict major-league specifications. Toronto Blue Jays second baseman Roberto Alomar and Colorado Rockies first baseman Andres Galarraga used Glomar bats during the 1993 all-star game. After approval by major-league baseball late in 1993 for use in regular games, our bats were in the hands of the Los Angeles Dodgers' rookie-of-the-year outfielder, Raul Mondesi, and the Texas Rangers' designated hitter Jose Canseco, now with the Boston Red Sox.

By the time of the strike, about 140 big-league players had taken a turn at the plate with one of our bats, well above our 1994 goal of 15 to 20 players. We were scrambling to produce about 250 to 300 handmade bats a week and were preparing to add automation.

My passion for baseball began at an early age. As a kid in my native Cuba, I would play from 7 in the morning until you couldn't see outside. Later, in the '50s, I played center field in collegiate and semi-professional leagues.

In the mid-'60s, my wife and other family members found it necessary to move to the United States. Fidel Castro's government retaliated by putting me in a labor camp, where I remained for about a year and a half. Finally, I was able to leave for the U.S.

Once you've survived hardship, you develop a tenacity that helps you find solutions and turn problems into blessings. When the major-league players went on strike, we turned to where our five-year plan said to go next: retail. We pursued different strategies, including newspaper ads and trade-show appearances. And we have gone after bids from clients who wanted novelty and memorabilia bats. Since the strike began, we have achieved a significant level of sales at sporting-goods stores and batting-cage parks. We are also making inroads through independent dealers who sell to amateur teams.

Another area of focus is in the Caribbean region, where interest in baseball is high. As early as 1991, we introduced the bats with the help of major-league customers who play in off-season winter leagues in Puerto Rico, Mexico, and Venezuela.

Production figures reflect our company's change in focus after the strike began. From March to August of 1994, Glomar produced 6,000 professional-quality bats. From September to December, we produced 8,000 bats, most of them commercial-quality. If negotiations with several major distributors go well, we could make as many as 125,000 commercial-quality bats in 1995. An influx of capital has allowed us to begin adding the automation we need.

The past year has been difficult, but the rewards could be great. Here are some of the important lessons we have learned:

- By keeping our employees informed and treating them like members of the family, we have helped them understand the critical nature of the situation, and they have responded accordingly. Nonetheless, we have had to lay off workers.
- We should have shot for a higher percentage of retail business from the beginning. We put most of our eggs in one basket. This was a mistake. We needed a better balance of business from the start.
- Our business plan provided us with alternatives. When the strike began, we didn't have to scramble to determine what to do and how to do it. Instead, we were able to pick up on things we had put aside and mobilize quickly to compensate for the lost business.

The result is that we should not only survive but also be better off than we were before baseball's worst season. NB

PHOTO: ©BART BARTHOLOMEW

Bat maker *Juan Faxas focused on retail when his major-league customers halted play.*

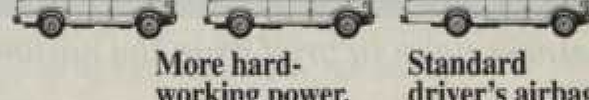
Juan Faxas is president and founder of Glomar, Inc., in Fullerton, Calif. He prepared this account with free-lance writer Susan Biddle Jaffe.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

What I Learned

When times are tough, it's possible for a company to discover new strengths and become better than ever.

Measurably better. *With Dodge Ram Van, you get to select among three body lengths. Not only that, Ram Van's maximum payload is greater than Ford, Chevy or GMC.*

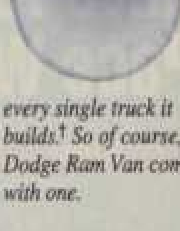


Our customer base

More hard-working power. *Dodge has, overall, the most powerful line of truck engines on the planet. So it's no surprise, Ram Van's 3.9L Magnum V-6 gives you more standard horsepower than any other van. What's more, two Magnum V-8s are available – a 5.2L and a 5.9L.*

V8 MAGNUM

Standard driver's airbag. *Dodge is the only full line truck manufacturer to put a standard driver's airbag in*



every single truck it builds.† So of course, Dodge Ram Van comes with one.

Standard rear anti-lock brakes. *To help you get to work safely, Ram Van is equipped with standard rear-wheel or available four-wheel anti-lock brakes.*

We stand behind our work. *Ram Van is backed by our new Customer One Care℠ 3-year or 36,000-mile bumper-to-bumper warranty and 3/36 Roadside Assistance. There's a 7-year/100,000-mile outer body rust-through warranty, too.**

Solid value. *Your Dodge dealer offers a Ram Van Tradesman Package that includes many of the options you look for in a work van. For the name of your nearest dealer, or for information on commercial buyer incentives, call 1-800-WORK RAM.*

†Always wear your seat belt for a fully effective airbag. *See limited warranties and restrictions at your dealer. Excludes normal maintenance & wear items.

just keeps building.

America's Truck Stop The New Dodge

A DIVISION OF THE CHRYSLER CORPORATION

Dateline: Washington

Business news in brief from the nation's capital.

THE ECONOMY

Have Your Earnings Kept Pace With Inflation?

To determine whether your income has kept up with inflation, multiply your earnings in any year by the multiplier to the right of that year. If your current earnings are less than the result, your real income has declined.

1960	5.01	1970	3.82	1980	1.80	1990	1.13
1961	4.96	1971	3.66	1981	1.63	1991	1.09
1962	4.91	1972	3.55	1982	1.54	1992	1.06
1963	4.85	1973	3.34	1983	1.49	1993	1.03
1964	4.78	1974	3.01	1984	1.43	1994	1.00
1965	4.71	1975	2.76	1985	1.38		
1966	4.58	1976	2.61	1986	1.35		
1967	4.44	1977	2.45	1987	1.31		
1968	4.26	1978	2.27	1988	1.25		
1969	4.04	1979	2.04	1989	1.20		

SOURCE: U.S. CHAMBER OF COMMERCE

CHART: GEORGIA MCDONALD

A handy reference guide is available for use when your business calculations require taking into account the declining value of the dollar. The tool is an accurate gauge of inflation's insidious impact over the past several decades.

The guide is developed annually by Martin Lefkowitz, an economist at the U.S. Chamber of Commerce, in Washington, D.C.

The key element of the guide, excerpted in the chart shown above, is the value of the dollar in a given year relative to the 1994 dollar. Applying that value to a dollar amount associated with that year yields the number of dollars needed this year to achieve equivalent purchasing power.

For example, it shows you would need slightly more than $5 today to match the purchasing power of $1 in 1960.

What income would you need today to equal the purchasing power of your $50,000 in earnings in 1975? The 1975 multiplier, 2.76, times $50,000 equals $138,000.

Similarly, the guide shows that if your annual sales grew from $500,000 in 1970 to $1.5 million this year, you have been losing ground to inflation. Applying the 1970 multiplier of 3.82 to that year's sales shows that you would need current-year sales of $1.91 million just to stay even, much less show a real increase.

—Albert G. Holzinger

EMPLOYMENT

Small Businesses Growing In Number, Creating Jobs

The nation's smallest businesses—those with fewer than 10 employees—grew in number by 2.2 percent in 1992, the latest year for which figures are available, after increasing at an average rate of only about 1 percent a year from 1987 to 1991, according to data from the U.S. Census Bureau.

In contrast, the number of firms with more than 10 workers grew by only about 1 percent in 1992, after posting a decrease in 1991.

The information comes from the Census Bureau's County Business Patterns report, which looks at statewide and countywide employment, payroll, and number of establishments by employer size.

The report also credits small businesses with creating many jobs during 1992: Companies with fewer than 10 workers added about 368,000 employees, and those with 10 to 99 employees added more than 283,000 to their payrolls. Average annual starting salaries for the new jobs in both company-size categories ranged from $21,000 in parts of the South to $28,000 in the Northeast.

Additional data from this and other Census reports are available in the CENDATA area of the CompuServe on-line information service. For information on CompuServe, call 1-800-848-8199.

—David Warner

REGULATION

EPA Enforcement Actions Reached New Heights In 1994

Continuing its trend toward tougher enforcement, the U.S. Environmental Protection Agency reports that it took a record 2,247 enforcement actions in fiscal 1994. That was about 6 percent more than the previous record number of actions set a year earlier.

In 1990, Congress passed legislation that required the EPA to increase its force of criminal investigators gradually, from 50 agents that year to 200 by 1996. The increasing actions against industry are partly an outgrowth of the growing enforcement team, EPA officials say.

The total amount of civil penalties and criminal fines levied against violators also set a record in fiscal 1994, about $165 million, agency data show. The only time the agency came even close to that level previously was in fiscal 1992, when a $22 million fine related to the Exxon Valdez oil spill in Alaska boosted that year's total to $142 million.

—Laura M. Litvan

Managing Your Small Business

Award-winning customer service; showing employees you appreciate them; exploring mutual opportunities.

By Roberta Maynard

MANUFACTURING

How To Succeed As A Supplier

PHOTO: ENRICO ZAKS

Hiring top people *and empowering them has paid off for Barbara Bissett, president of the Bissett Steel Co., in Cleveland.*

What does it take to get on a company's list of preferred suppliers? Barbara Bissett seems to have a good idea. As president of the Bissett Steel Co., she accepted awards last year from two companies for her firm's outstanding performance as a vendor. The Cleveland company provides steel for machinery and components.

Bissett attributes the company's reliability of service to her 16 employees. "They are empowered to do what they need to," she says. "Sales staff know the parameters, and they have the authority to make decisions. Everybody at this company is considered a manager."

To ensure she has high-quality personnel, Bissett takes 30 to 45 days to fill an opening. A job candidate is interviewed by a team of managers and is tested on his or her interest in solving customers' problems.

This emphasis on the needs of the customer has played a big part in the firm's success as a vendor. Last year, Bissett received a Challenge of Excellence award for a fourth consecutive year from Van Dorn Demag, a maker of plastic injection molding machinery in Strongsville, Ohio. Of Van Dorn's 165 suppliers, only 18 were honored. The companies were judged on product performance, promptness of delivery, and cost, which includes volume of rejected supplies as well as pricing. Also considered were more subjective factors such as technical and account service.

The awards help Van Dorn determine who its top-notch suppliers are. "They are the first choice for extra business," says Bud Marsic, Van Dorn's quality manager.

Bissett's company received a similar award last year from Hy-Level Screw Products Co., in Cleveland, which honored five of its 48 suppliers. "We were looking for outstanding service, quality, delivery, competitive pricing, and also intangibles, such as the ability to work with us, to understand us," says Allen J. Becka, Hy-Level's purchasing manager.

One of Bissett's secrets to providing excellent service is to anticipate customers' needs by looking for patterns in their business behavior. Some customers are members of what she calls the "Procrastinators' Club"; they wait until Friday afternoon to call with an order. Bissett's employees call such customers on Thursday to inquire about potential inventory or service needs. The customer is happy to have help initiating a job order, Bissett says, and she gets a jump on business while demonstrating her attentiveness to the customer. ■

EXPANSION

Should You Purchase A Bankrupt Business?

Business owners who shy away from acquiring a bankrupt business out of fear that doing so is too complex and difficult may be missing out on significant competitive or investment opportunities.

Dan Morris, president of Morris Anderson & Associates Ltd., a Rosemont, Ill., company that helps turn around troubled businesses, says such deals can provide a cost-effective way to expand the buyer's own business. The buyer needs to take steps to minimize risks, however.

For example, Morris says, a firm should realistically evaluate the potential of the reorganized assets, identify solutions to the company's underlying problems, and negotiate effectively with creditors for a reorganization plan they will accept.

After identifying a candidate for purchase, he says, a buyer should follow these steps:

■ Gather court documents to evaluate the deal. You can't present an acquisition proposal (except with the debtor's consent) to the court in the first 120 days after bankruptcy is filed, but you can and should obtain court documents detailing financial, marketing, and operating information. Creditors may also provide information.

■ Assess the company's reorganization, or best-use, potential. Using the information you have gathered, project cash flow, debt-service capability, and other key financial measurements, but view the information critically. It may be dated, inaccurate, or incomplete.

■ Meet with stakeholders. As soon as bankruptcy is filed, communicate your interest to key players, including the owners of the firm that filed, banks, subordinated lenders, investors, and

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Since its introduction, the CitationJet has outsold every other turbine business aircraft in the world.

This impressive acceptance is due to the breakthrough performance of the aircraft. It delivers jet speed on less fuel than the much slower turboprops it's replacing.

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And this jet is so simple to fly, it's FAA certified for single-pilot operation.

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For the rest of the story, call Gary W. Hay, Senior Vice President of Marketing at 1-800-4-CESSNA.

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trade creditors. Then work to establish your credibility as a potential buyer.

■ Develop negotiating strategies. To win required agreement from creditors (more than half must accept your reorganization plan), you will need to identify and satisfy the interests of all parties.

■ Line up financing. Your ability to finance the acquisition will depend on the quality of the company's assets, the strength of the lender's security position, and the credibility of your business plan.

Take steps to uncover unknown facts about the business. "I can't stress strongly enough the need for due diligence when buying a bankrupt property," Morris says.

A thorough investigation of all aspects of the transaction may reveal such negatives as environmental problems, outstanding obligations not recognized in bankruptcy claims, and unresolved matters related to taxes or employees.

You should also assess the damage that may have been done to the bankrupt business's customer and vendor relations. Customers may have moved on, and skittish vendors may want special guarantees or cash in advance.

"The opportunity for firms," says Morris, "is to pay bargain-basement prices for generally high-quality assets and cash stream." ■

MARKETING

Teaming Up In Search Of Opportunities

What does a printing company have in common with a financial-services firm, a health-insurance agency, and an office-furniture dealership?

All are members of the International Business Group, a small, nonprofit association formed to enable businesses to help market one another's services and to hold events where they can explore business opportunities of mutual interest. The concept they developed may work for you.

Len Adams, executive vice president of the KPA Group, a human-resources consulting firm in New York, formed the International Business Group in 1989 with two noncompeting companies, and it quickly grew to its current membership of 13.

Marketing efforts are low-key. Members promote their own and one another's businesses through word-of-mouth recommendations, brochures, monthly breakfast meetings, and bimonthly dinner meetings. Members can bring clients to the breakfast and dinner events. The association also maintains a client data base that is updated every three months.

Because each member's reputation rests on the performance of others, membership is by invitation only, and invitations are extended only by unanimous vote of the members.

How much business has resulted from participation in the association is difficult to pin down, but Adams says it has been substantial.

Martin Egeland, president of Carol Printing Corp. and a member of the International Business Group, says he has obtained two or three clients through the association, as well as some leads. "I get to know other members and can feel comfortable recommending them to clients," he says. "When someone I have recommended does a good job, it's a good reflection on me." ■

PHOTO: ARNOLD ADLER

Sharing clients *has helped both Martin Egeland, left, president of Carol Printing Corp., and Len Adams, executive vice president of the KPA Group.*

PERSONNEL

Rewarding A Staff For Good Work

Motivated employees make better products and provide better service, management experts agree. Here is some advice on rewarding an effective staff from Dr. Barrie Greiff, a consultant and occupational psychiatrist in Cambridge, Mass.:

■ Whatever type of rewards you choose, offer them over the course of the year. Don't limit them to the holidays.

■ Be spontaneous with rewards, and offer them whenever opportunities present themselves. Such gestures by management will appear insincere if they are seen as too routine or obligatory.

■ Look for rewards that are meaningful to workers.

Rewards alone won't keep employees happy. Show genuine interest in employees and their problems. Foster a climate of effective communication. Have managers communicate news and other information affecting workers. Bring employees together to discuss their grievances or to provide input about operations or policies that involve them. ■

NB TIPS

Book Smarts

For a basic, easy-to-digest primer on starting your own business, consider *Be the boss!* from S.T.A.R.T. Learning, Inc., in Coral Gables, Fla. Colorful illustrations, checklists, and sample worksheets take you from choosing and organizing a business that's right for you to management and marketing issues. Check your local bookstore, or order by calling 1-800-442-READ, or 1-800-442-7323. The cost is $19.95, plus $3.50 for shipping and handling.

Chambers' Trade Conference

Entrepreneurs interested in the Mexican and Canadian markets may want to attend the Fourth Trilateral Conference of Chambers of Commerce of North America, to be held in Houston from March 27 to 29. The conference will focus on doing business under the North American Free Trade Agreement and fostering business contacts throughout the continent. Sponsors are the U.S. Chamber of Commerce, the Canadian Chamber of Commerce, the U.S. Hispanic Chamber of Commerce, and two Mexican business organizations, Concanaco and Concamin. For information, call the Greater Houston Partnership at 1-800-866-2382. NB

Making It

Growing businesses share their experiences in creating and marketing new products and services.

A Broadcaster's Vision

By Laura M. Litvan

It's not hard to draw comparisons between Robert L. Johnson, the visionary behind the nation's first black-oriented cable TV network, and Turner Broadcasting's Ted Turner.

Both have amassed fortunes by luring millions of couch-potato customers away from the major networks and their local affiliates. And just as Turner owns the major professional baseball and basketball franchises in his hometown, Atlanta—the Braves and the Hawks—Johnson hopes to own a professional sports franchise one day as well.

For 15 years, Johnson's Black Entertainment Television has offered programming geared specifically to black viewers. Along the way, in 1992, the company made history when its parent, BET Holdings Inc. of Washington, D.C., became the first black-owned company to be traded on the New York Stock Exchange.

For the 48-year-old Johnson, BET Holdings' chief executive officer, launching a cable business seemed like a natural step in 1979. He was then a lobbyist in Washington for the National Cable Television Association and decided there was real opportunity for a black-oriented cable company.

"At that time, there were a lot of nay-sayers," Johnson says. "Not just for us from a black-media standpoint; there were nay-sayers about cable."

He borrowed $15,000 from a local bank to get started. Denver-based Tele-Communications Inc., the nation's largest cable operator, invested $500,000 in the venture after Johnson pitched the idea to TCI's president and chief executive officer, John Malone, whom Johnson knew from his lobbying days.

BET lined up six national advertisers—including PepsiCo, Inc., and Sears, Roebuck and Co.—by appealing to their corporate goodwill and potential desire to see this type of network have a shot. He went on the air in January 1980.

The network started small, broadcasting gospel music and music videos on Friday nights from 11 p.m. to 1 a.m. Slowly, more programming was added, including coverage of sporting events at historically black colleges, a music video show called "Video Soul," and the "Bobby Jones Gospel Hour."

PHOTO: IRENE HANNANS—ATLANTA JOURNAL AND CONSTITUTION

By offering *cable TV programming geared to African American viewers, Robert Johnson built his Washington-based firm, Black Entertainment Television, into a diversified international enterprise.*

BET continued to grow, and by 1984 it was in 6.4 million homes nationally and on the air around the clock. Some offerings in its lineup were reruns of black-oriented shows, such as "Sanford and Son."

In the early 1990s, BET entered publishing, launching a magazine for teens called *YSB* (Young Sisters and Brothers) and buying controlling interest in *Emerge*, a general-interest magazine.

But the company took its biggest step in 1992, entering the limelight of the New York Stock Exchange. Johnson says he felt sharing more ownership was crucial to helping BET grow, although he still owns 55 percent of the stock.

He says many minority-owned businesses are hesitant to go public because they worry about losing control of their operations, but he says a rethinking of "control" is needed if more minority-owned businesses are going to take off.

"Control is a function of your ability to maximize revenue for shareholders, and they'll give you control if you have 5 percent of the stock if they believe that you can generate a return on investment," Johnson says.

Mark Riely, a principal in a New York investment and media-research firm, says Johnson has established credibility for BET on Wall Street at a time when many investors are wary of the cable industry because it is being reregulated. "I think investors see Johnson as very savvy and very well-positioned," says Riely, of MacDonald, Grippo and Riely Inc.

As BET has grown, the company has had some problems. Most notably, in 1992, two officers were fired after they were charged with embezzling $700,000 from the company. Ultimately, BET's

chief financial officer pleaded guilty to federal fraud charges; charges against the second officer were dropped.

But overall, the company has continued to prosper. In fiscal 1993, BET reported $74 million in revenues, an increase of 20 percent over the previous year, and its operating cash flow also grew by 20 percent, to about $24 million. The company now has 450 employees and 40 million subscribers.

With the network accounting for 94 percent of its revenues, BET has continued to add original programming. It broadcasts more than 20 of its own shows, including news shows, a talk show for teens called "Teen Summit," and "Story Porch," a children's show featuring storytelling by such celebrities as Bill Cosby and Maya Angelou.

Future lineups are likely to include the first-ever soap opera featuring a predominantly black cast, Johnson says.

BET has been branching out in other ways, including pay-per-view, a jazz channel, and limited programming in the United Kingdom, South Africa, and other places around the world.

Johnson's latest maneuvers have involved Washington-area professional sports teams. He ruffled some feathers when he came forward with a plan to finance a downtown sports arena in exchange for a chance to buy at a later date the Washington Bullets basketball team and the Washington Capitals hockey team. The teams' owner, Abe Pollin, was negotiating a plan for the financially strapped District of Columbia to finance construction of the arena, but in late December Pollin said he would finance it. Johnson was credited with making it possible for city officials to demand a better deal from Pollin.

Johnson is also developing two new joint ventures that will move BET into production of black-oriented feature films. One arrangement, with Blockbuster Entertainment Corp., will make family-oriented films, while a similar venture with the Encore cable network's movie operation will focus on action films.

Both projects, he says, will reflect BET's larger vision: to give a broader depiction of American life from the black perspective.

"We really haven't strayed that far from our primary mission," Johnson says, "which was to be the primary black media company in the country." ■

Fashioning A Business

By Janet L. Willen

Ask a fashion designer whether one of her chemises is a dress or a nightgown, and she would likely be offended. But the question doesn't bother Josie Natori, the founder and president of the Natori Co., in New York. The firm produces clothes that can be worn as intimate apparel or high fashion, as sleepwear or outer garments.

A cold call to Bloomingdale's early in 1977 proved instrumental in helping Natori decide on strategy. She was trying to get the retailer to carry an embroidered, multicolored blouse made in her native Philippines, but a buyer for the chain suggested that she turn the blouse into a nightshirt. She had it lengthened so it could be worn as either.

In April of that year, Natori got her first order, for 1,000 nightshirts, and she quit her full-time job. By August, she had designed a line of sleepwear using Philippine fabrics and detail work. Saks Fifth Avenue offered to launch the line and ran a full-page ad featuring it in *The New York Times.* "We didn't understand the significance of that or what it was worth," says Josie's husband, Ken Natori. As company chairman, he has responsibility for operations and finance.

And Josie, now 47, says, "One of the most remarkable things about where we are today is that neither Ken nor I had any connections in the business." Their background was with Wall Street, not Seventh Avenue—both had worked in investment banking. But they always knew they would have their own business. "We looked at everything from a franchise—McDonald's, Burger King—to a fertilizer company or car wash," she says. Nothing felt right until a friend sent her the embroidered blouse as a possible basis for a clothing business. When Josie saw the Philippine craftsmanship, she says, "I knew there was a niche for that."

PHOTO: ARNOLD ADLER

Former investment bankers *Josie and Ken Natori created a New York fashion house with Philippine flair.*

But the key to their early success, the Natoris say, was selling the blouse as lingerie. "Had the blouse been an item sold in the ready-to-wear department, for example, where there's so much very fierce competition," says Ken, 51, "our opportunity to succeed would have been much tougher."

In the beginning, Josie showed her fashions out of her apartment and flew to Manila to oversee production. She had no formal design training and relied on a free-lancer to execute her ideas.

During the early years, she depended on friends and relatives for help. An uncle who was a surgeon once sewed on labels. Another time, relatives joined her in cutting scalloped edges for 1,000 blouses. The Natoris contracted with two factories in the Philippines until 1979, when Josie's father, who counts construction among his many businesses, built a factory for the company near Manila.

Natori clothes come in three lines: the elegant Natori collection of sleepwear and lingerie for women in their 30s through 50s; the less-formal Natori II; and Josie, designed to appeal to women in their 20s and 30s.

The 70-employee Natori Co. has shown steady growth, with sales reaching $45 million in 1993. It has an 11,000-square-foot showroom and an 11,000-square-foot design studio, both located in New York, as well as boutiques in Paris and Manila.

"Ken is the visionary," Josie says. "I had no idea the business could be where it is today." But he says: "Josie's involved in all aspects. I came after the pioneering of the business." ■

Let Your Big Light Shine

By Michael Barrier

Lee Dominguez, a Los Angeles businessman, works out of an office on the top floor of a two-story building near the city's harbor. In the ceiling over his desk is what looks like a large light fixture, a glowing white box—but the light it sheds is both smoother and more intense than fluorescent light. The fixture seems to be bringing domesticated sunlight into the room; and that is exactly what it is doing.

Dominguez is the founder and chief executive officer of a company called So-Luminaire Daylighting Systems Corp., which makes, and takes its name from, fixtures like the one over his desk. Dominguez invented the So-Luminaire—he holds four patents—and has in the past few years installed hundreds of them in factories and government buildings.

The company and presumably its revenues are still very small; Dominguez is shy with figures, but So-Luminaire has only two dozen employees. Success on a significant scale may be in the offing, however, because the So-Luminaire installations have received enthusiastic reviews from Dominguez's customers. For example, a soft-drink plant's production manager wrote last year of "a dramatic improvement in the quality as well [as] quantity of lighting."

Before Dominguez, 63, got into the lighting business, he owned and operated a music store in Glendale, Ariz. In the late '70s, Dominguez, like many other business people, was frustrated by the sharp increases in energy costs: "It seemed like you had no control whatsoever." When he analyzed his utility costs, he realized that more than 40 percent went for lighting.

"That's what turned me on," he says. "I thought that if I could take skylights and dramatically improve their efficiency, then I could light my store with no cost as far as the power source was concerned."

As he explored the idea, Dominguez says, "I never ran into a negative." When he built an addition to his store, he installed what he describes as "primitive" versions of the So-Luminaire—skylights with fixed mirrors pointing south.

"It didn't take me very long to learn the inefficiencies of skylights," he says. "If I wanted to turn off my electric lights every day the sun was shining—which was my main purpose—I had to track the sun," so that the mirrors were always reflecting in as much light as possible.

Dominguez went to work on what finally emerged as the So-Luminaire: an electrically powered system of mirrors to track the sun and reflect light down through a skylight. Thanks to two diffusion lenses, a So-Luminaire spreads light much more evenly throughout a room than a skylight alone does; and, Dominguez says, it's that evenly diffused light that makes people comfortable with turning off their electric lights.

In 1982, in the wake of a divorce, Dominguez sold his music business to his ex-wife and went into solar lighting full time. He looked into government grants but decided against seeking them, he says, because that would have resulted in patents with strings attached—"and I knew that someday the government would be our biggest single customer."

By the mid-'80s, Dominguez had brought his invention to the point that it was ready for commercialization, so he licensed a San Diego company to manufacture and market it. That company sold 4,000 units in a year and a half, he says, but it also tried to work around his patents, so it wouldn't have to pay him royalties. The rival product "was plagued with so many mechanical and electronic malfunctions," he says, that the company went out of business in six months.

"Then I had to start over again," he says, "and I finally realized that if this product was going to do what I wanted it to do, it was going to be up to me to do it."

PHOTO: STUART BARTHOLOMEW

Mirroring the sun: *Lee Dominguez of Los Angeles has patented his energy-saving So-Luminaire lighting system.*

In 1991, he formed So-Luminaire Daylighting Systems "to take the product globally." After researching the market in Southern California, he moved the company to Los Angeles in January 1993.

He has targeted large, single-story commercial buildings—the kind with flat roofs and enormous lighting needs. "There's 24 billion square feet of industrial, commercial, and governmental space in this country," he says, "and 65 percent of that is single-story. Our market is so massive that we could live 10 lifetimes and still be out there retrofitting buildings." Installed, a So-Luminaire costs $1,300 to $1,500, depending on the kind of roof. Steel roofs are more expensive.

As Dominguez says, a business can't rely entirely on So-Luminaires; even a daytime-only business will need fluorescent backups. But the savings in electricity costs for those fluorescent units will pay for the So-Luminaires in one to five years, he says, "depending on how much lighting they're using in the building." The more lighting, the faster the payback; one retail chain expects to get its investment back in 11 months.

Dominguez has so far tapped only a few markets—some of them foreign, including India and Brazil—by signing with distributors there. So-Luminaire has an obvious appeal for Third World countries with unreliable electricity supplies and plenty of sunlight. But even in Northeastern cities like New York, he says, where there is less sunshine, utility costs are so high that So-Luminaire is still appealing as an energy-saver.

If there is any obstacle in So-Luminaire's path, Dominguez's experience suggests, it may be that it is so hard for many people to believe that the sun is the only source of So-Luminaire's illumination: "Even engineers and architects will come out and look at that fixture and admire it, and say, 'How many light bulbs do you have in there?' " NB

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COVER STORY

The Enemy Within

By Michael Barrier

Say the words "workplace violence," and what comes to mind first is something like what happened at a 300-employee San Diego electronics manufacturer in 1991.

In March of that year, as the recession hit, the company laid off several employees, including a technician named Larry. He visited the plant off and on over the next three months, seeking help in finding another job, and he never seemed to have less than a cordial relationship with his former employer.

But then, one morning in June, Larry came to the plant and confirmed that three of its executives—two vice presidents and his former supervisor—were on the premises. Later that day, Larry returned to the plant, this time wearing a bandolier across his chest and carrying a shotgun. He set off two radio-controlled pipe bombs, starting small fires, and shot out the receptionist's switchboard before she could call the police.

Then Larry ran upstairs to the executive offices. He killed one of the vice presidents, as well as a regional sales manager who tried to help his colleague. Another executive escaped death only by hiding under a desk. As Larry exited the building, he walked calmly past a crowd of terrified employees and then rode away on a bicycle.

Fortunately, such horrifying incidents are very rare. Although the Bureau of Labor Statistics (BLS) counted 1,063 workplace homicides in the U.S. in 1993, three-fourths of them occurred during the commission of robberies or other crimes; an additional 11 percent involved police or security guards killed in the line of duty. Four percent of the homicides involved personal acquaintances, as when a victim's estranged husband pursued her at work and killed her there.

The BLS, which has been gathering such data since 1992, classified only 106 of the 1993 homicides as involving "work associates"—the homicides that typically

The loss of life *in workplace violence is mercifully rare, but the impact of violence of any kind can be tremendous.*

Violent outbursts by disgruntled employees can be a real threat to small businesses. But there are ways to protect yourself and your firm.

come to mind when "workplace violence" is mentioned. Of those, 59 homicides involved co-workers or former co-workers, and 43 others involved customers or clients (including tenants who turned on their landlords in eviction disputes, and patients who attacked hospital personnel). The 1993 total was up from 87 "work associate" homicides in 1992, but the absolute numbers remain small.

"The workplace is still the safest place to be," says Michael R. Losey, president of the Society for Human Resource Management (SHRM), an Alexandria, Va., organization of human-resource professionals. But it is for that reason, perhaps, that any violence in the workplace is so disturbing: It seems to signal the destruction of the last sanctuary in an increasingly violent and irrational world.

Joseph A. Kinney of Monroe, N.C., a consultant and author on workplace violence, says: "A lot of the killing [in workplace homicides] is indiscriminate, and that bothers us as human beings, because we like to think that if we're going to get killed at work, we ought to deserve it. And I'm only half-kidding about that."

Many people believe that workplace homicides are merely the most visible symptom of a much broader, more serious problem: a growth in the number of incidents of workplace violence that lead not to death but to injury or, at the least, to a major disruption of a business's normal workings. "We've got more people who are leading more violent lives," Losey says, "and they don't leave that at the employer's door."

When such violence does occur, he says, "it is so destructive." A certain level of civility and cooperation is fundamental to the operation of any business; shatter that, through an act of violence, and everything else seems to go with it. When workplace violence occurs, Losey says, "it's like a big boulder hitting a calm pond."

Federal government statistics are of limited help in assessing the scale of the problem. The BLS and other agencies gather information on nonfatal injuries at work, including assaults, but none of that data provides a clear picture of how much violence employees are inflicting on one another and on their employers. As an official of the Occupational Safety and Health Administration (OSHA) says, there is no "pure data stream—we're getting information a little bit to the left, a little bit to the right."

PHOTO: ©THE SAN DIEGO UNION—JOHN NELSON

For employees *like these at a San Diego business, who are accustomed to thinking of a workplace as safe, a violent outburst can be traumatic.*

Private surveys have attempted to plug the gap, with mixed results. One 1993 study has drawn sharp criticism because its authors extrapolated very large numbers from a very small number of responses.

More valuable, perhaps, is a 1993 survey by Losey's SHRM, even though it's questionable how representative its sample was, even of SHRM's members. Almost one-third of the 479 SHRM members who responded to the survey reported acts of violence at their workplaces in the previous five years, more than half of them involving assaults by one employee on another. (The rest involved supervisors and customers.)

Those assaults were typically fistfights—and that suggests how difficult it can be to define and measure "violence." Draw the line at incidents that result in lost days of work, as the BLS does, and you can leave out lots of destructive activity; expand the definition too far outward, to encompass any kind of behavior that might conceivably lead to violence, and meaningful statistics dissolve in a miasma of dirty looks and hurt feelings.

Where violence is concerned, though, it doesn't really matter to a small business how much of it there is in the aggregate: What's important is to exclude violence of any kind from the life of the business. Because any violent incident can be "extremely devastating" to a small company, says San Francisco lawyer Garry G. Mathiason, a specialist in workplace-violence issues, it is important for a firm to devote resources to heading off violence, rather than dealing with it after it occurs.

Mathiason emphasizes that, to be effective, an anti-violence effort must extend to threats as well as overt acts. "A threat of violence is an act of violence," he says, because "a threat can do independent damage and have tremendous psychological consequences." He suggests that it is in fact

PHOTO: GLINDA SUE SCOTT

Because violence is so destructive, *businesses should try to head it off and not just look for ways to deal with it after it occurs, says San Francisco lawyer Garry G. Mathiason.*

the growth of threatening words and behavior that has turned workplace violence into "a major national phenomenon."

There is, of course, no way that a business can protect itself completely against violence, certainly not as long as it has customers and employees. Edward J. Schifman, CEO of Interconnect Devices Inc. (IDI), a 150-employee company in Kansas City, Kan., that manufactures testing components for the electronics industry, can testify to that.

One of his sales representatives was having dinner with some customers in Texas recently, Schifman says, when one customer in the group, for reasons that are not clear, began to throw punches at the sales rep. Evidently, Schifman says, "this fellow was not happy at having to work through a representative, and he got nasty, so one of my people wound up having to go to the hospital with cuts on his face."

Even though the violence did not occur at his own workplace, the disruption was significant: Schifman—who has "never" encountered violence at IDI—found himself on the phone to the Texas hospital at 1 a.m. "I didn't think these things happened," he says.

But they do, and sometimes with no more warning—and with far more serious consequences—than in Schifman's case. Says San Diego psychologist Michael Mantell, co-author of *Ticking Bombs: Defusing Violence in the Workplace* (Irwin): "The best companies can still have psychotic people who blow up" for reasons that have nothing to do with their work. Trying to protect your business from that kind of violence can be like trying to protect yourself from being hit by a large meteor: You can wind up spending a lot of time and money to fend off a danger that is in fact very remote.

Given that violence is both relatively rare and very dangerous, what should a small business do to protect managers and their employees from it?

Some of the experts' recommendations on how to deal with potentially violent employees—how to discipline them, how to fire them—don't have much to offer to the small business that can't afford a security guard or a metal detector. Ideas that make sense for a large, relatively impersonal company may not be relevant to a small company where the owner works shoulder to shoulder with his employees. Likewise, security measures that make sense in an office or a factory may not work in a retail store.

There are, however, some practical steps that almost any small business can take to improve the odds that it will not fall victim to a violent incident.

Hire carefully—but realistically. "First of all, you try to hire well," Ed Schifman says. "If you hire the wrong person, you've already lost half of the battle. With a company like ours that's growing, sometimes you say, 'Just get 'em in here'—but we can't."

At the least, small businesses should try to screen out potential employees whose histories show a propensity to violence. That can be simpler and less expensive than many companies may suspect.

Small firms tend to think that "they don't have any resources, they can't do a background check," says Mathiason. "In fact, there are outside service providers that will do that check for a very small fee. They can do a criminal background check for about $18 per county of residence." In some states—Texas, for instance—service bureaus will do full background checks for about $50 a person.

A background check may reveal no criminal record, and perpetrators typically don't provide "a lot of signals upfront," Losey says, but an applicant's personal history may hold some clues. "We do know," he says, "that the overwhelming number are male, they're probably in their 30s or early 40s, they probably have a history of violence—although we may or may not know it—they probably have a gun or are fascinated with guns, they're probably a loner, they've probably displayed anger in the past."

Most perpetrators, Kinney says, "are white males. These men are not well anchored with families, with social institutions. There's a sense of failure, compared with their fathers. Often there's been some history of drugs or alcohol, which I think is very important."

The key, Losey says, may be interpersonal conflict—"they're people who are always having a problem."

There are murky legal questions about how far a company can go in exploring such areas with a job applicant (see "When Laws Collide," Page 23), but the larger problem may be this: Of 10 people who conform to a profile of a likely offender, nine will most likely turn out to be exemplary employees. A business that is trying to shield itself from violence may in actuality be depriving itself of employees it needs.

Moreover, even the most careful hiring is of limited value as a prophylactic against violence because "the people who commit violence at work typically are people who have been employed for some period of time," Mantell says. It is not usually the new hire who picks a fight or pulls a gun, but the employee who has been a satisfactory worker for five, 10, or 15 years.

Says consultant A.L. "Sonny" Weide of Fairfax, Va., himself a former human-resources director at a bank where a disgruntled employee killed three other persons before killing himself: "You're not going to be able to prevent these people from being hired."

That's no reason not to hire carefully, of course; some people are such obvious risks that there's no reason to take a chance on them. But most of your efforts

at violence prevention will have to concentrate on what happens after you hire someone, not before.

Draw up a plan, and involve employees in it. "A small employer can certainly anticipate this issue and adopt a minimal plan" for preventing violence and dealing with it if it occurs, Mathiason says. State agencies that are the equivalents of the federal OSHA may be able to provide companies with draft plans.

Many companies, Mantell suggests, "are still in denial," and as a result "are leery about getting their names attached" to violence prevention. "They don't want to be known as doing anything, because they're afraid the public will think they've got a problem. A lot of these companies don't even want their employees to know." As with other social problems, though, any stigma that attaches to anti-violence efforts may diminish as the public becomes aware of how widespread the problem is.

When a company is willing to embark openly on an anti-violence effort, Kinney believes, its program should be shaped by employee input, through such devices as a questionnaire or focus groups. That input may reveal that only a limited program is needed, he says.

Reporting requirements, for both violence and threats of violence, should be part of the plan; as Losey says, "you're not doing anybody a favor when you see an altercation and you cover it up."

As part of the plan, adopt a "zero tolerance" policy. "Zero tolerance" need not mean dismissal. Discipline, rather than termination, may be the best response when an offender is a long-term employee with an otherwise spotless record and the violent episode is clearly an aberration.

Although it's true, as Losey says, that "you can't have, in most circumstances, a 5 percent punch to the nose, or a 5 percent pulling [of] a weapon," there can still be gray areas. "I'm not a cookbook person who says if you hit him once you get three days off, if you hit him twice you get a week off," he says. "There are always extenuating circumstances, and I think part of management is to look at the facts, at the totality of the situation."

What is essential is that there be consequences of some kind for the perpetrator of violence; it cannot be simply ignored. When discipline is required, its purpose should be not to punish, but to teach. Mantell, who is a consultant to the U.S. Postal Service's violence-prevention program, says that wayward employees should be "treated as adults with problems to solve, instead of as kids who have misbehaved and therefore have to be punished."

Enlist the aid of professionals—with an eye on the cost. "A small company is not going to have a psychologist or a legal department on staff," Mathiason says. "It's going to have to go to external resources and then carefully control how much of them it uses."

The sums required for a few hours on the telephone with such professionals can seem quite small when measured against the costs imposed on a business when a simmering problem flares into violence. "The real expense," Mathiason says, "is when you have an incident. [Small businesses] don't have the size to be their own insurance company; they have to start thinking about this problem upfront." The real "Achilles' heel" of a small business, Mathiason suggests—what really sets it apart from a large company—is that it typically has far fewer resources to devote to "physical security measures, like hiring a security guard.

"Compared with legal and psychological services," he continues, "the cost of physical security is [perhaps] 20 times higher, [or even] 100 times higher. Think of having a security guard at your facility for two weeks around the clock, or for two shifts. That's very expensive; that's what has to be avoided, if they can avoid it," by resolving a problem in its early stages.

Hiring a security firm temporarily may become necessary, for example, when someone is fired and threatens to kill a supervisor; in addition to informing the police of such a death threat, the employer may feel obligated to provide security even at the supervisor's residence. Usually, as Mathiason says, "that is very, very hard for a small employer to do," because of the cost.

One of the most effective devices for heading off such crises can be an employee-assistance program (EAP), which for most companies, large and small, is run by an outside provider. Such programs first appeared after World War II, primarily to deal with alcoholism. They have since evolved to the point that EAP counselors can help with problems of many kinds—drug abuse, personal finances, marital difficulties—that may hinder the performance of otherwise valuable employees and spawn violence if left untended.

"So frequently [in violent incidents] there's a contributory family situation—an emotional problem," Losey says. Employees may feel more comfortable in such situations in turning to an EAP run by an outside firm because of the greater assurance that their problems will be treated confidentially.

Even when a small business cannot afford to contract with a counseling firm for an EAP, it can refer employees to government and nonprofit agencies that may be able to help.

Security firms can be useful, too, although perhaps more as consultants than as regular providers of services. For example, a security firm may tell you how best to control access to your business (by terminated employees, among others). But be aware that an increase in security can be as disturbing to employees as a lack of it. "Sometimes," consultant Weide says, "management solves problems that didn't exist in employees' minds."

PHOTO: DEREK KNEVER—BLACK STAR

"I didn't think these things happened," *says businessman Edward J. Schifman, whose sales representative was assaulted by a customer.*

For small businesses of all kinds, though, the best protection against violence may lie not in measures like those just listed, but in a company culture that makes violence all but unthinkable. "In a company with a healthy environment," psychologist Mantell says, "where employees feel they're appreciated and treated with a level of respect, the number of disgruntled employees who

COVER STORY

Creating A Violence-Free Company Culture

Violence at the two plants of Wainwright Industries "is just nonexistent," says David Robbins, the company's vice president and a co-owner with his two brothers-in-law. "Knock on wood, it's just never been a problem. I attribute that in no small part to our very, very open communications." Employees may still get frustrated sometimes, he says, "but there is always an avenue to talk it out."

Beyond that, Robbins says, Wainwright provides all its employees with "basic skills training" in "interpersonal relations," in how to "treat people with the kind of respect and dignity you would expect to be treated with. It's pretty much Golden Rule training."

The company relies heavily on a suggestion system that last year yielded 54 *implemented* recommendations per employee. Wainwright's managers are committed to responding to suggestions within 24 hours, if at all possible, and to implementing (or at least developing a plan for implementing) accepted suggestions within 72 hours. "The best way to tell somebody you care about what they have to say is to act on it," Robbins says.

Baldrige Award Winner

Wainright, based in St. Peters, Mo., won a Malcolm Baldrige National Quality Award last year; it is one of only six small businesses to have won the award since it was established by Congress in 1987. A family-owned, 275-employee manufacturer of stamped and machined products, Wainwright opened its second plant last year in Arlington, Texas.

Companies that apply for the Malcolm Baldrige National Quality Award shouldn't expect "an afternoon in the park," according to Curt W. Reimann, director of the Baldrige program at the National Institute of Standards and Technology. "It's supposed to be a tough challenge."

As it turns out, a company that does meet the Baldrige competition's rigorous standards may, as an incidental benefit, wind up with the closest thing possible to a completely violence-free company culture. After a strike in 1978, Robbins says, "we decided it can't be we and they; it has to be us. We set about to try to develop that kind of environment."

Robbins traces Wainwright's conversion to the quality movement to a meeting of 400 General Motors suppliers in 1981, when GM told them that their number would be cut in half in a year. To stay in the running, Wainwright quickly took quality-improvement steps and gave employees a greater say in company operations. Three years later, Robbins says, "our employees decertified a 27-year incumbent union," by a margin of 6 to 1.

To reciprocate that show of faith, Wainwright made all its employees salaried—which means, as Robbins says, "everybody in our company is paid whether they come to work or not. And yet consistently, since 1984, we have had in excess of 99 percent attendance."

Now, Robbins says, "we try very hard to create an environment where everyone is on the same level. I wear the company uniform: black slacks and a pinstripe shirt that has two patches on it. One says, 'Team Wainwright,' and the other is my first name." His brothers-in-law wear the same uniform, which everyone else in the company wears. "I think that breaks down a lot of barriers," he says.

The Texas plant, open since April 1994, has a "very diverse" work force, and that has led to virtually no problems, Robbins says. "I don't think diversity leads to violence," he says, if employees are selected carefully and work in the right kind of environment.

He believes in "a constantly open door," Robbins says, "and I'm out in the plant not as much as I'd like to be, but with great regularity. I think that people feel pretty free to talk with us about issues."

The company offers an employee-assistance program (EAP) in which counselors help workers cope with a range of problems, including alcohol and drug abuse, personal financial troubles, and marital difficulties. The idea is to address serious issues that might hinder performance and spawn workplace violence. The program "is readily available" to all employees, Robbins says. "That's communicated [to employees] regularly so these problems can be addressed proactively."

Teams' Key Role

Wainwright is a team-oriented company, he says, "and they're small teams—maybe half a dozen people will have a team leader, who's their trainer and coach." The teams play a critical role in keeping the salary system working.

"Obviously," he says, "when people are salaried, we expect them to come to work. If people show a propensity not to come to work, we take that pretty seriously," with progressively more severe penalties.

But the other members of the offender's team take it pretty seriously, too, because they're having to take up the slack—"plus everybody is in a profit-sharing plan," Robbins says, "so if somebody is on salary and not coming to work, that's eating into their profit sharing.

"The strongest motivation is self-motivation," he continues. "The next-strongest motivation is peer pressure. I would much rather have the team be self-motivating, rather than for me to be involved in discipline. If the team tells Joe that he's letting them down, that's far more effective than anything I can do."

Wainwright's owners think that they are creating "an environment where people take more ownership in each other and the company," Robbins says. "When you have that ownership, a lot of problems and frustrations are easier to deal with"—and, he could have added, much less likely to explode into violence.

PHOTO: ©TOM EBENHOH—BLACK STAR

"Very, very open communications" *have been vital to Wainwright Industries' freedom from violence, says company Vice President David A. Robbins (center, facing camera).*

turn to violence as a method of solving problems is minimal, if any at all. You just don't see it."

A strong company culture may not inoculate a company against such internal violence, Garry Mathiason says, "but I think it helps. I don't think there's any doubt about it. Where there's a management style that allows people to [communicate with one another], you're going to get threats reported more readily, you're going to get a clearer transmission of what the company values are."

In such circumstances, there's less chance that an employee will go through what Mathiason calls a "progression of escalation" before the development is noticed by someone who is in a position to try to prevent a heightening of the problem.

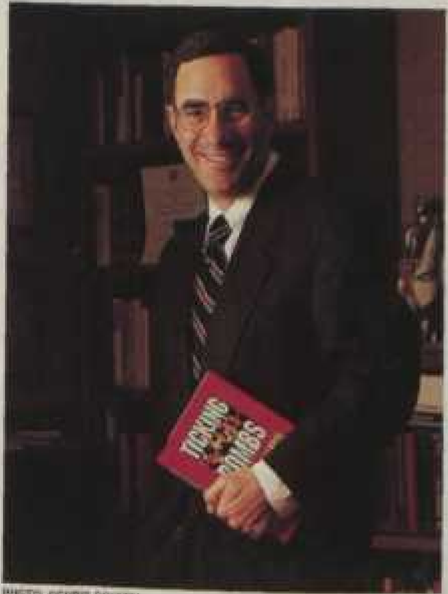


PHOTO: DCHRIS COSETTA

Treat problem employees *as adults, says psychologist Michael R. Mantell.*

Ed Schifman, for one, emphasizes his open-door policy: "Anyone can come into my office, any time, and they do." Often, he says, "I hear about things that are of concern to me—people are stressed—and I try to deal with those things one on one. When an employee feels that I'm taking that kind of time, with the kind of issues that I have to deal with, it makes a big difference; and that gets around.

"I'm so proud of the people who work for our company. I always feel that it's an honor to be working with them. And I make that quite clear to everybody. You fill a glass from the bottom up—not from the top down. When CEOs remember that, it makes a big, big difference."

There apparently has been no study conducted that links management styles to incidents of workplace violence, but "the anecdotal data is very, very compelling," Mantell says. "When the owner of a store treats his salesmen the way he

When Laws Collide

Here is the nightmare: You're hiring someone for your business. You have some doubts about the new employee's personality, but he is otherwise well-qualified. Besides, you think that you can't ask the questions you'd really like to ask without exposing yourself to a lawsuit for discrimination or violation of privacy.

The new hire's former employers are no help: They only tell you the basics—dates of employment, and so on—because they don't want to be sued for defamation.

It turns out that your doubts were justified. Your new employee has a violent streak that flares up in a deadly encounter with another employee. The result: a suit against you for wrongful death, based on "negligent hiring." You should have known better than to hire this employee, a court rules as it awards the plaintiff a judgment so large that it will put you out of business.

You say there was no way you could have known about the perpetrator's troubled personality without asking questions that the law discourages you from asking? You say that he had no criminal record and that you couldn't get any of his references to tell you anything important? Tough luck; we don't want to hear about it. Next case.

That nightmare does bear some resemblance to today's waking reality—the law is not simply in flux, but to some extent at cross-purposes with itself—but the small business that realistically assesses its own requirements, and acts accordingly, has little to fear, experts say.

Focusing On Behavior

The big new factor in hiring is the federal Americans with Disabilities Act, passed in 1990, which protects people with mental impairments or physical disabilities. ADA covers businesses with as few as 15 employees, and comparable state laws sometimes go even further; California's covers firms with as few as five employees. By now, "most employers understand that the ADA is maybe more far-reaching than what they had anticipated," says Michael Losey, president of the Society for Human Resource Management, based in Alexandria, Va.

San Francisco lawyer Garry G. Mathiason says that "the simple rule of thumb" is to remember the distinction between behavior and mental state. What's going on in a prospective employee's mind is none of your business—it's his behavior that should concern you. As long as an employer addresses behavior, Mathiason says, "I think you're going to avoid about 90 percent of your ADA problems."

With that guideline in mind, employers should proceed to ask all the questions for which they really need answers. Despite the hazards, Mathiason says, where a basic background check is concerned "I think there are more problems with not asking them the questions than with asking them."

Asking The Right Questions

San Diego psychologist Michael Mantell suggests an approach that can yield the kind of information a small business needs, while still remaining well within the law's bounds: "You can get into questions such as anger management—when it's relevant to the job—temper control, how you handle customers who give you a hard time. You can offer scenarios and ask people to think through them. But most people don't do that. They look at the application, they talk about their hobbies, and boom, the next thing you know, someone is selling pizzas for you."

One company that takes an approach similar to the one Mantell suggests is Wainwright Industries of St. Peters, Mo. "We try to have at least three people involved in the interviewing process," says company Vice President David Robbins, "and do it over more than a one-day period. Different people, asking similar questions at different times, and then getting together and coordinating those results. One of the things we try to judge is that ability to get along with other people, and the ability to verbalize and work out frustrations."

If a potentially violent employee slips past your safeguards and winds up threatening violence against another employee or a customer, Mathiason says, a small business "needs to look at what its exposure is from a wrongful-discharge or civil-rights standpoint if it acts—or doesn't act."

An employee who is fired for making a threat may claim discrimination under ADA; but because employers have the duty to maintain a safe work environment, an employer who does not act against an employee who makes a threat, and later carries it out, can wind up being sued by an injured employee.

As paralyzing as such a situation might seem, all that is really needed, Mathiason says, is probably "some preventive telephone advice. If a small employer is put through litigation and has to spend $50,000 or $100,000 on that litigation, it can literally lead to destruction of the company. One or two hours of legal advice in advance makes a world of difference."

PHOTO: [illegible] BRACK—BLACK STAR

Consultant *A.L. "Sonny" Weide—seen here leading a Fairfax, Va., seminar on violence prevention—warns against excessive reliance on tightened security.*

wants to be treated himself, you don't see violence."

That's not the same as saying, "If you'll just be nice to your employees, they may not shoot you." There has not yet been an authoritarian or unfair boss whose behavior justified a fist in the face, much less a bullet. "The victim is not the villain," Mantell emphasizes. "The ultimate responsibility for violence rests with the person who pulls the trigger."

Besides, too accommodating an attitude toward employees—of the kind that expresses itself in paternalism—may itself breed violence. "Smaller employers sometimes have a stronger sense of family within the work environment," Mathiason says, and the downside can be that something akin to domestic violence results.

"There is a feeling that this organization will never let them down—that they will always be taken care of," Mathiason says. "Then something happens, and that family structure breaks down, and there can be a real physical reaction to it—or certainly a verbal, threatening reaction to it. There's a tremendous sense of betrayal," as expressed by one murderous employee who said, "They threw me to the side of the road like a bag full of puppies."

A "family feeling" is less important than a pervasive sense of fairness. "I think that the most humane environment is one where rules are rigorously enforced," Kinney says.

Of course, the bosses of what Mantell calls "toxic workplaces" do not run their businesses with the idea of provoking violence by their employees—against themselves, or against other employees or customers. Neither do enlightened bosses run their businesses with violence uppermost in mind. In both cases, violence—or the lack of it—is a byproduct of decisions made for other reasons.

These days, business owners are becoming aware, often slowly and quite painfully, that violence can be one of the unintended consequences of their actions.

Mantell cites a small chain of dress shops in Los Angeles; some of the employees wanted "an extra 15 minutes at lunchtime for a Thanksgiving potluck. How you handle that is absolutely related to violence in the workplace. You don't have to say yes; but if you say no in a way that shows disregard for people, you're going to have a problem. If you have an angry group of people, some of whom are psychologically impaired, that is a ticking bomb."

The bomb may not go off for years; it may go off only in the form of trivial sabotage; in fact, it will probably never go off. But there is no reason it should be ticking at all.

Astute business owners and managers are using the new concern about violence "to define who they are and how they want their employees to get along with each other," Joseph Kinney says. "I think the days of the back-room bully are numbered in most organizations." Ultimately, he says, "the issue is, what kind of values do you want to reinforce in your organization? Sexual harassment began the debate; this is a branch in that road." NB

To express your opinions on workplace violence, see Where I Stand, on Page 72.

To order a reprint of this story, see Page 74. For a fax copy, see Page 49.

To Learn More

A problem with literature on workplace violence parallels a problem with the violence itself. Just as violence is a rare phenomenon that assumes tremendous importance when it does occur, a book on workplace violence, simply by focusing so intently on the subject, can give it unduly frightening dimensions—even when the authors are clearly expert and their recommendations are praiseworthy.

In addition, the books tend to be geared to large organizations, where the need for some formal system to prevent and monitor violence may be more pressing than in most small businesses.

With those caveats in mind, here are some recent books on the subject:

Ticking Bombs: Defusing Violence in the Workplace by Michael Mantell with Steve Albrecht (Irwin, $25).

Deflecting Workplace Violence: A Manager's Guide by A.L. "Sonny" Weide and Gayle E. Abbott. Available for $21.95 from HURECO Inc., 3603 Chain Bridge Road, Suite B, Fairfax, Va. 22030; (703) 359-2470.

Breaking Point: The Workplace Violence Epidemic and What to Do About It by Joseph A. Kinney and Dennis L. Johnson. Available for $49 from the National Workplace Institute, 3009 Bishops Ridge Court, Monroe, N.C. 28110; (704) 289-6061. Kinney has also written *Violence at Work: Making Your Company Safe for the 1990s and Beyond*, to be published early this year by Simon & Schuster.

The Society for Human Resource Management sponsored a one-day workplace-violence seminar last fall in Washington, D.C. The group will probably hold a similar seminar on the West Coast later this year; for information, call SHRM's meetings department at (703) 548-3440, Ext. 5430. Local SHRM chapters are holding workplace-violence seminars and workshops, too; check with them for dates and places.

Small firms interested in setting up an employee assistance program can call the Employee Assistance Professional Association's member services office at (703) 522-6272; the association will put your company in touch with one of its 96 local chapters.

The EAPA can also provide information on how several small businesses can share EAP services.

MANAGING

A Visual Approach To Employee Safety

Employers are finding videos, games, and other aids are effective substitutes for complex training manuals.

By Janine S. Pouliot

Many of the 38 employees at the Pettit National Ice Center in Milwaukee routinely handle hazardous chemicals and solvents to create smooth-as-glass ice for such skaters as Olympic gold-medalists Bonnie Blair and Dan Jansen.

For safety's sake, it's essential that the workers know about toxic fumes and respirators involved in the ammonia-based ice-making system.

But Bill Greinke, executive director of the Olympic training center, wasn't happy with the standard written safety materials about the system. Experience showed a highly technical message often doesn't get through to workers who need it.

So when it came time to institute his own program, Greinke decided to do things differently. Instead of relying solely on written safety manuals, he also used videos.

"The absolutely best way to educate the work force about safety is in the medium in which they're most at home," says Glenn Gronitz, president of Quality Safety Management, a Milwaukee consulting firm and designer of Greinke's program. "Television and videos are what people know."

Alternative safety-training methods are cropping up in many businesses in the form of board games, training by consensus, and hands-on sessions, as well as videos.

Most businesses still rely on the difficult-to-read Material Safety Data Sheets (MSDS) to comply with federally required safety training, Greinke points out. "But there's no standard format," he says. "They're prepared by the manufacturers of hazardous products, so each MSDS is entirely different. You really have to hunt to find the basic information."

Finding alternatives to written safety materials is becoming increasingly necessary for companies today. About 90 million Americans demonstrate low competency in basic reading, math, and reasoning, according to a 1993 study by the U.S. Department of Education. Data sheets such as the MSDS generally are written at a high-school or college level.

In addition, a recent Census Bureau report indicates the number of U.S. residents for whom English is a foreign language is nearly 32 million. Yet common safety-training programs are typically geared to an English-speaking audience.

There is a gap in communications in the workplace for safety training, according to Elizabeth Szudy, co-author with Michele Gonzalez Arroyo of *The Right To Understand: Linking Literacy to Health and Safety Training*. As part of a study conducted by the Labor Occupational Health Program, affiliated with the School of Public Health at the University of California at Berkeley, Szudy and Arroyo, safety trainers in the program, assessed current safety materials aimed at today's work force.

The authors concluded that most information on health and safety is ineffective because of the way it is written and presented. Tiny print, complex wording, and few illustrations often leave many workers confused.

"Information should be targeted to a wide audience with varying language skill levels," according to Szudy. "Employers should just assume that some percentage of their employees are grappling with the written word."

Here are 10 techniques recommended by experts and business people for conveying safety information without relying strictly on written materials:

Use visual aids. Gronitz, of Quality Safety Management, used generic safety-training videos at the Pettit National Ice Center to introduce the subject of safety. This approach comes from experience: "For 20 years, I've worked with supervisors who can't read or write."

He also uses widely available standard safety videos and customizes them to meet the particular firm's needs. "The more important the point is, the more often we repeat it," he says.

Foster participatory training. When Mark TenBrink, environmental manager of Micro Metallics, in San Jose, Calif., conducted safety training, he used easy-to-follow participatory methods to sidestep language and literacy problems. Micro Metallics determines the recycling value of scrap metal in used manufacturing and electronic equipment.

The firm's workers were divided into groups of two to four and then were given a large sheet of paper with the outline of the

PHOTO: ©JOHN MEWES

Ice-rink director *Bill Greinke encourages employee initiative in eliminating possible workplace hazards.*

Janine S. Pouliot of Green Bay, Wis., writes about business issues.

facility on it. "They were asked to indicate a fire hazard with a red X, or the location of poisons with a blue X, and so on," TenBrink says. A small X symbolized a minor danger; a large X meant a more serious hazard.

From their daily encounters with potential hazards, employees already knew where to place many—but not all—of the marks. Different employees had different levels of knowledge about the location of potential hazards. The exercise helped identify gaps in knowledge.

Play a game. The familiar activity of a board game also served to explain safety concepts at Micro Metallics. The center of the board displayed the outline of a human body depicting internal organs. Players moved around the board by selecting cards that asked about the effects of various chemicals on organs. A volunteer comfortable with reading aloud recited the questions to the team.

The object of this kind of friendly, noncompetitive play is to encourage workers to take part without feeling intimidated, Szudy says.

Turn tests into learning sessions. "Certain [federal] regulations dictate that you test after a training course," says Dana Zanone, environmental-affairs manager of Myers Container Corp., in Richmond, Calif. "How you test is left up to you."

Zanone transforms the exams into an opportunity to reinforce safety messages covered during training. First, the material is presented in English and Spanish. A review is conducted immediately, and "we literally give them the answers," Zanone says. Then he gives the test as a collective exercise. "We read the question aloud, and the group comes to consensus on the answer," Zanone says. "That way I'm assured everyone understands."

Use a translator. A translator is essential in reaching a multilingual work force. Robert Borovicka, plant manager at Plastonics, a plastic-coatings business in Hartford, Conn., recruits an employee fluent in Spanish and English to provide translations. Of Borovicka's 25 employees, more than half use English as a second language, and several speak no English.

Offer the real thing. Quality Safety Management's Gronitz supplements presentations with individualized hands-on training. When showing employees how to use a respirator around hazardous chemicals, he asks each worker to try on the apparatus. He then sprays vegetable oil into the air. If employees can smell or taste the mist, they know they're not using the gear properly.

Show workers you care. When Cary Grobstein was vice president of sales administration at Cardinal Color, Inc., a paint company in Paterson, N.J., he wanted his workers to know he wouldn't require them to do anything he wouldn't do himself. So he poured the nontoxic chemicals that make up paint onto his hands to prove they were safe to handle. But he quickly explained that they were hazardous if ingested.

"It's important that workers understand management is sensitive to their concerns about handling chemicals," he says. Grobstein, who now owns LBL Sales, a chemical brokerage firm also in Paterson, often works beside employees to demonstrate how to handle chemicals.

Offer positive reinforcement. Roger Sheaffer, owner of Sheaffer, Allan and Hoyme Safety Consultants Inc., in Addison, Texas, says successful accident-prevention programs require upbeat reinforcement. "Many of these workers are doing hard manual labor and are unaccustomed to receiving positive feedback," he says. And he frequently compliments employees for following safety procedures demonstrated in training.

Train in context. Rather than suddenly springing safety training on workers, Laurie Kellogg, health and safety specialist for the International Ladies' Garment Workers Union in New York, recommends placing the discussion in a comprehensive framework.

Kellogg, who conducts training for entrepreneurial businesses with cross-cultural, multilingual work forces, suggests letting people know ahead of time what will happen. She begins her sessions with a clear introduction of the topic and why it's important to each employee. "They're not going to take you seriously if you just throw information at them," she emphasizes.

Create a sense of "ownership" in safety. Greinke of the Milwaukee skating center gave an employee safety team authority to resolve hazards in the workplace—not just bring them to management's attention. "I oversee what they do, but they take the initiative and have their own small budget," he says. "Because they're directly involved, they're more responsive to the solution."

For example, the team recognized a concrete and metal stairway posed a danger to workers with wet shoes. They reacted by adding a sandpaper strip to the edge of each step. "We were looking into purchasing expensive treads, but the employees' solution was just as effective," Greinke says.

PHOTO: ALMEDA SUE SCOTT

As environmental manager *at a metals-analysis firm, Mark TenBrink uses participatory methods when he conducts safety training with employees.*

Clearly, there are many ways for a company to convey information about hazards and to cultivate employee commitment to safety. It's also a safe bet that relying solely on written materials won't get the job done.

"Offer a range of approaches, and let the employees select what's best for them," Szudy advises. "It may be a little extra work, but the payoff is the absolute assurance that you're getting your message across." NB

To order a reprint of this story, see Page 74. For a fax copy, see Page 49.

FINANCE

Let's Make A Deal

Trading goods and services through barter arrangements is a flourishing practice among small firms.

By Marsha Bertrand

When Susie Duboe, owner of Hinsdale Furriers, in Hinsdale, Ill., wanted to hire a magician for an employee pizza party, she traded fur-storage space for the pizzas and the magician.

When Terry Brandfass, a business executive in Scottsdale, Ariz., was pregnant, she exchanged gift certificates from a clothing store for Dr. Barry Gershwire's medical services, which included prenatal and postnatal care and the baby's delivery.

Such trading of goods and services, known as barter, has become a flourishing industry in the United States over the past 10 years. In 1980, goods and services worth $1.7 billion were bartered, and by 1994 the volume had grown to $8 billion, according to Paul Suplizio, chief executive of the International Reciprocal Trade Association, in Alexandria, Va.

Industry experts expect the growth to continue as more entrepreneurs discover advantages in barter arrangements. Today, more than 300,000 companies in the United States use barter for a portion of their business, up from about 70,000 companies in 1980, according to Suplizio, and the number is expected to increase to 1.2 million companies in six years.

Although it may sound easy for, say, an accountant to do someone's tax return in exchange for four tickets to a Los Angeles Lakers game, the concept of barter can become complicated.

For example, let's say the owner of a carpet store agrees to install new carpeting in the offices of a printer in return for the printing of sales brochures. Sounds simple, but what if the cost of the printing is $500 while the cost of the carpet is $2,000? Or what if the printer needs the carpet installed immediately, but the carpet retailer doesn't need the brochures printed for three months?

Enter the barter exchanges.

A barter trade exchange is a conduit for matching and completing trades. Instead of trying to set up direct one-on-one trades, the exchange offers its members what are typically called barter dollars. When a member provides goods or services to other clients of the exchange, the member's account is credited with barter dollars. The member can then use those dollars to purchase the goods and services offered by other exchange members. A printer may do work for a carpet retailer but may use the earned trade dollars for jewelry, lawn care, or a new wardrobe.

PHOTO: ©TODD BUCHANAN

Fur retailer *Susie Duboe has used barter to obtain services ranging from kitchen remodeling to a party magician; she has bartered fur cleaning—and even a mink coat.*

Barter trade exchanges typically charge a start-up fee of $50 to $750 plus a fee of 10 to 15 percent of the value of each transaction. In some exchanges, clients can pay a larger start-up fee and reduced transaction fees, or they can avoid the start-up fee by paying higher transaction fees.

At the end of the year, the barter exchange sends each client an Internal Revenue Service Form 1099 and a copy to the IRS. For tax purposes, the receipt of barter dollars is the same as the receipt of real dollars for goods sold or services rendered and should be included in gross revenues. Conversely, barter purchases are business expenses and are deducted as such. Therefore, barter dollars are treated the same as cash dollars.

Why would a business owner use barter rather than simply make purchases in the open market? Essentially, the reasons are to save cash and improve collections.

"Through barter, businesses can obtain goods and services without using cash reserves or increasing their use of credit," says Susan Groenwald, president of Barter Corp., an exchange in Oakbrook Terrace, Ill. "Barter also gives companies the ability to dispose of excess inventory, utilize excess capacity, and sell to new clients."

For instance, consider an office-furniture company that needs its parking lot resurfaced but lacks cash for the job. If the company has an excess inventory of filing cabinets, those cabinets could be traded through the exchange to any other exchange client for barter dollars.

The furniture company could then use those barter dollars to pay the paving company to resurface the parking lot. No cash would change hands; no credit would be extended; the furniture company would dispose of its excess filing cabinets; and the paving company would get a customer it might not have had otherwise.

That's exactly what Vincent Petrini-Poli, owner and chief financial officer of Standard Equipment & Supply Corp., in Hammond, Ind., did in a turnaround situation two years ago. His company sells

Marsha Bertrand is a free-lance writer in Hinsdale, Ill.

FINANCE

tools, supplies, and equipment to manufacturers and construction companies. "We needed to liquidate some assets that were in an overabundant supply and turn them into cash," he says. "That wasn't easy to do, so we turned to barter, which allowed us to buy other assets that were more in line with our current needs."

Petrini-Poli bartered old furniture, filing cabinets, and excess inventory for a $50,000 computer system, copying machines, and fax machines. "We needed technology systems for inventory control, accounting, etc.," he says. To date, he has contracted for the purchasing and selling of about $250,000 worth of goods and services.

Petrini-Poli's trades were fairly straightforward, but by using barter, a company can participate in all sorts of creative trades. Terry Brandfass, who is president of the World Trade Network and Business Exchange International, in Scottsdale, has a client who is a jeweler. Through Business Exchange, the jeweler traded jewelry to several other clients, coupled those barter dollars with his home, and traded for a larger house. The person who got the jeweler's home then traded it to someone else for a duplex.

Through barter, *Vincent Petrini-Poli, left, owner of a tool-supply firm, and Joe Misiura, president, exchanged old furniture and inventory for a $50,000 computer system.*

Another creative way to use barter is to improve bill collections. Accepting products instead of cash in order to retire an old receivable can expedite collections without the cost of using a collection service.

Almost any company can become a member of a barter trade exchange. Barter Corp.'s clients include large manufacturers, service companies, retailers, dentists, banks, funeral directors, and even actors and magicians.

Some businesses, however, are unsuited for using barter. Those are the companies with highly specialized products or services useful to only a select list of clients. If other members of the barter exchange can't use your product or service, you won't be able to make any trades.

And although barter can be used in all sorts of ways, it also has its limitations. While it can be done, most companies do not use barter for their fixed costs such as rent, electricity, heat, or payroll. According to Groenwald of Barter Corp., companies that use barter typically limit transaction amounts to 5 or 10 percent of the company's total annual expenditures.

There are more than 600 barter trade exchanges across the country, and the number is growing. ITEX Corp., in Portland, Ore., recently became the first barter exchange to be listed on the NASDAQ stock exchange.

With so many barter exchanges in existence, how do you choose the one that's right for you? Just as you would with any other professional organization you might join, you should do a certain amount of research before contracting with a trade exchange:

■ Visit the trade exchange; meet the people who would service your account. Be sure they are professional and are people with whom you would want to have a fiduciary relationship.

The concept of barter can be a little confusing for business owners who don't spend a little time learning how it works. Consider barter the same as you would a cash transaction. The final outcome is the same.

■ Obtain a list of clients and the products and services they offer. If you can't use the other clients' goods and services, there's no reason to join.

■ Get referrals of current or previous clients. Find out if they've encountered any pitfalls in working with the exchange. If they have left the exchange, find out why.

■ Ask about fees. You should have a firm understanding of what you would be charged to join the exchange and what you would pay for each transaction.

■ Check out the exchange's background. Write the International Reciprocal Trade Association, a trade group for barter exchanges, at 6305 Hawaii Court, Alexandria, Va. 22312; or fax queries to (703) 237-1829 or (703) 354-0370.

When working with a barter exchange, consider how much barter your company can support. "I'm always very cautious when I do a barter sale to be sure that I know where I'm going to spend my barter dollars," says Susie Duboe of Hinsdale Furriers. "If those dollars were cash, they'd be growing for me, but barter dollars don't earn interest, so I want to spend them as quickly as possible."

Duboe barters primarily her fur cleaning, repairing, and storage services, but she has also bartered a full-length mink coat. "When I moved and was having my kitchen remodeled, it was perfect," she says. "The retail kitchen store and even the electrician I used were all on barter. I knew exactly how I was going to spend all those barter dollars."

The concept of barter can be a little confusing at first and can scare away business owners who aren't willing to spend a little time learning how it works. The best advice is to consider barter the same as a cash transaction. The final outcome is the same, as are the tax consequences. NB

To order a reprint of this story, see Page 74. For a fax copy, see Page 49.

MARKETING

Going "Green" In The '90s

Increasingly, products touted as environmentally friendly must also be competitive in quality and price.

By Laura M. Litvan

Jeffrey Hollender has built a small business by wooing the "green" consumer. On store shelves and through a mail-order catalog, he tantalizes the environmentally conscious with everything from vegetable-based laundry detergent to stationery made of recycled U.S. currency.

But like a romance tempered by time, his relationship with consumers has grown more practical. His company, Seventh Generation Inc., which started in 1988 as a mail-order business, lured plenty of purchasers in the late 1980s simply by touting the environmental benefits of its wares, he says.

But to hold consumer interest in the value-conscious 1990s, Hollender revamped his product offerings last year to appeal to a broader market and to compete better on price and quality.

"People don't buy something because it's good for the environment" anymore, Hollender, president and chief executive officer of the company, says of today's marketplace. "It has to meet other competitive requirements."

Today, Seventh Generation, nestled in bucolic Colchester, Vt., appears to be on a comfortable path of growth after refining its marketing strategy. In 1994, revenues topped $8 million for the first time. But getting there was painful.

A few years ago, after sales began to slacken during the recession, Hollender took a 50 percent pay cut and handed pink slips to about half of his 125 workers. Today, the firm has 65 employees.

Despite great optimism in the 1980s that consumers would flock to "environmentally friendly" products, the potential of the market was overstated, some observers say. "The perceived market for 'green' products really didn't materialize," says Joel Makower, editor of *The Green Business Letter*, a newsletter for business managers.

But as Seventh Generation's experience indicates, there is money to be made in the green-marketing niche, although such an environmental focus by itself may not be enough to guarantee success.

One challenge is that recycled products or other goods linked to the environment are sometimes more costly to produce or might be of lesser quality than similar products that don't qualify as "green."

As part of its new strategy, between 1993 and the middle of 1994, Seventh Generation replaced about half the items in its catalog with other environmentally friendly items that were less expensive or of better quality.

The company also began offering a line of Seventh Generation household products in retail stores, requiring it to give more weight to competitive pricing and other issues.

PHOTO: GOWEN STAYNER—BLACK STAR

Sales at Seventh Generation *picked up after CEO Jeffrey Hollender revamped the firm's "green" products.*

Sometimes the strategy shift required environmental trade-offs. For instance, the company previously only offered its dish-washing liquid in 32-ounce and 128-ounce (one-gallon) bottles to save on packaging waste. But to compete with other brands in retail stores, it had to offer the detergent in 22-ounce and 64-ounce bottles.

Ultimately, by rethinking each of its products, the company determined various ways to enlarge its appeal to consumers, he says. "By being able to push progressively on price and performance, our market widened," Hollender says.

Another challenge facing businesses trying to capitalize on the green niche is that publicity about misleading environmental claims from some manufacturers has fueled a wave of consumer skepticism about "green" products over the past few years, says Peter Stisser, vice president of New York-based Roper Starch Worldwide, a marketing research firm. Many of the claims were printed on packaging, but some also appeared in print and television advertisements.

One of the more widely publicized cases involved claims about "biodegradable" plastic trash bags that were touted as likely to break down quickly and return to nature. Trash bags, however, are typically sent to landfills—where they are not exposed to the necessary air and moisture to break down rapidly—or to incinerators.

"This is really a decade of consumer skepticism," says Stisser, who specializes in tracking consumer interest in environmentally friendly products.

Beginning in 1990, the Federal Trade Commission began cracking down on manufacturers it said were making misleading statements about the environmental impact of their goods. So far, 28 companies have agreed to cease their claims.

Despite the challenges companies face in trying to capitalize on the green market, American consumers appear to be altering their purchasing habits to the benefit of companies that do so. One recent study conducted by Stisser shows that the number of consumers who, at least at times, choose goods that make environmental claims is growing. (See the box on Page 31.)

In their recently published book, *The Environmental Marketing Imperative*, Bob Frause and Julie A. Colehour, environmental-marketing consultants in Seattle, point to other research that likewise indicates there is growing opportunity for businesses that tailor their products to

environmental concerns. In an interview, Frause said increased consumer interest in "green" products can largely be traced to the publicity surrounding the 20th celebration of Earth Day in 1990. "It was like the light just turned on," he said.

Now, with the 25th anniversary of the first Earth Day coming up on April 22, companies that make or sell such products can probably expect some additional consumer focus on their wares.

"Green" consumers can celebrate, too, because their range of product choices is expanding. More manufacturers are making goods with less impact on the environment, often by weaning their manufacturing processes of toxic chemicals, boosting the amount of recycled content in their end products, and reducing the amount of packaging.

For companies that make "green" pitches, higher sales are not their only motivation. In some instances, companies tout environmental messages to boost

Consumers' True Colors

"Green" consumers come in many hues, as the manager of any supermarket might attest.

To understand what makes different consumers buy environmentally friendly products, imagine an afternoon at the grocery store, with several shoppers roaming about to find what they need.

In the paper-products aisle, a customer who understands terms like "pre-consumer" and "post-consumer" content is studying labels on paper towels looking for a recycled brand. The recycled towels she selects are slightly more expensive and less absorbent than a brand made of virgin fibers, but the customer is willing to make trade-offs to give recycling a boost.

The next aisle over, another shopper glances at a shelf of cleaning products and ultimately chooses a spray bottle of citrus-based cleaner. He is pleased to see the label's claim that the product is better for the environment than others containing strong chemicals, but the manufacturer's claim that its brand cleans better than all the rest was what first caught his eye. The clincher was that the cleaner is on sale for a few pennies less than other brands.

Both of these customers would qualify as "green" consumers, according to marketing experts, even though they chose products for different reasons. For years, poll takers and marketing specialists have been studying such consumers and their convictions to determine the power of green marketing.

A recent poll by the New York-based research firm Roper Starch Worldwide Inc. showed that the ranks of "green" consumers are growing. The study also found, however, that consumers most apathetic to environmental concerns are also growing in numbers, indicating a bit of a backlash against environmentally friendly goods. (See the chart.)

Roper divides consumers into five groups, based on their levels of environmental activity, like recycling. The most committed, nicknamed the "true-blue greens," are generally well-educated and involved in environmental causes. More than any other group, they make buying

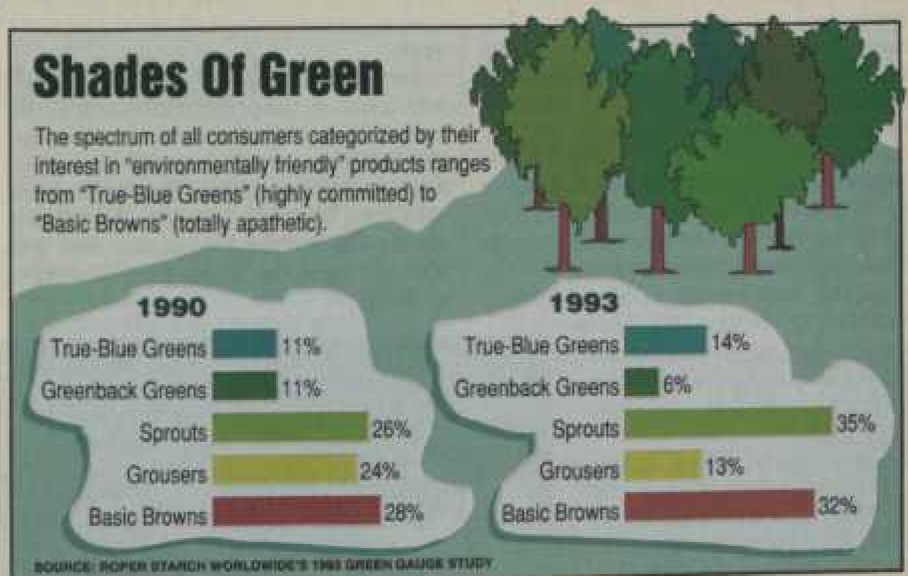


CHART: MICHAEL ROOK

decisions and change their personal behavior to help the environment. The 1993 Roper poll showed they made up about 14 percent of American adults, compared with 11 percent in 1990.

The second group, the "greenback greens," aren't quite as willing to make substantial changes in their purchasing behavior, but they often vote for pro-environment political candidates and donate money to environmental groups. The greenbacks dropped from 11 percent of U.S. adults in 1990 to 6 percent in 1993.

Peter Stisser, vice president of Roper Starch Worldwide, attributes this decline primarily to the graduation of many greenbacks to the "true-blue" ranks.

Meanwhile, the "sprouts," those who might make a few environmentally friendly purchases, shot up from 26 percent of adults in 1990 to 35 percent in 1993. Overall, these top three groups have grown to account for 55 percent of adults, the Roper study indicates.

The final two groups—"grousers," who only grudgingly acknowledge environmental mandates, for example, and "basic browns," the most apathetic of all—shrank, but the research suggests apathy is staging a bit of a comeback. Some "grousers" appear to have dropped to the ranks of the "basic browns" in recent years, Stisser says, with the browns growing from 28 percent of adults in 1990 to 32 percent in 1993.

There are several reasons for this, Stisser suggests, including confusion among consumers about which environmental claims by companies are factual and which are exaggerations. In addition, some consumers appear to be bothered by mandatory efforts to change their behavior, such as local recycling programs. But he adds that perhaps most important is that there is a typical cycle of interest in social issues, often marked by intense initial interest and then a decline as individuals change their lifestyles in line with their concerns.

In the case of green consumerism, in the late 1980s consumers seemed to feel more anxious about the environment and what they should do about it. Now, Stisser says, the high level of attention is abating, and consumers are falling into disparate categories. Some regularly buy environmental products, while others feel they don't need to worry about the environment because others are doing so.

"We're really in a muddled phase right now," Stisser says.

But for companies that want to take advantage of the "green" niche, he adds, the polarization itself shouldn't be cause for concern. The audience for such marketing claims, obviously, is not the apathetic but those consumers who are interested in "green" goods. He expects they will continue to grow in number.

Adds Stisser: "The committed people will remain committed and continue to have a strong voice."

their image as good citizens or good neighbors. But such messages generally are designed to distinguish a particular product from competing items. The messages are most effective when a product's price and quality are already competitive, marketing experts say.

Products that work best with environmental claims are usually those that consumers interact with directly, Stisser says, such as food, cosmetics, lawn-care goods, and housecleaning products. Because these types of items still are bought more often by women than by men, he adds, women form the leading audience for environmental pitches.

Of course, the paths that connect sellers of "green" products to their buyers don't always pass through the mail, the telephone, or the shopping mall. Some small companies successfully bypass the mass marketplace with their "green" products, carving out relationships with one or two large buyers.

For example, Linda Bavaro, who owns a home-based business in Georgia, recently cemented a coveted relationship with Walt Disney Co. of Burbank, Calif., when she agreed to help provide Disney with employee uniforms and costumes woven out of plastic thread made from recycled 2-liter soft-drink bottles.

Bavaro, chief executive officer of Global Green Inc., in Norcross, started her company with her husband in 1992 shortly after she heard it was possible to melt the bottles and turn the liquid plastic into a fiber that, when woven into a fabric, feels like a soft cotton blend.

After much research, Bavaro contacted a mill in North Carolina that could produce the fiber, and she obtained a trademark for the material, called Retrieva. The fiber is made entirely of the type of plastic used in the bottles, although only half of it is post-consumer waste. (The other half is plastic that has never been used in a consumer product.)

She hunted for large companies that might be interested in items made of Retrieva fabrics and made her first call to Disney, which has an extensive recycling program. The company's managers were planning an in-house environmental exposition, and they quickly agreed to buy 37,000 T-shirts made of the recycled plastic, she says.

The shirts were widely popular with employees, and the next year, Disney contacted her again to provide Retrieva give-away items for workers—this time, baseball caps.

In the meantime, Disney became interested in outfitting its theme park employees with Retrieva uniforms. Disney was concerned because its uniforms are routinely disposed of in landfills, and it was intrigued with the idea of fabrics that could be recycled and used again. The entertainment giant challenged Bavaro to find a mill that could make the fiber entirely out of post-consumer waste, however.

Bavaro spent much of 1994 working with a mill on the project, investing in the research and development for the upgraded fiber. Just recently the fiber maker achieved the goal. Bavaro has been signed on by Disney to serve as a liaison among the various companies that will have a hand in phasing in the new uniforms.

Clothing *made of recycled plastic bottles is marketed to Walt Disney Co. by Linda Bavaro, CEO of Global Green Inc.*

In addition, Bavaro is working with Turner Broadcasting System Inc. of Atlanta on a line of children's clothing made of Retrieva for eventual sale in retail stores, she says. The line will promote the company's "Captain Planet" television show.

Bavaro says she thinks arrangements with bigger companies represent good opportunities for small businesses that want to market "green" products, particularly when they are based on new technologies that might be more expensive than comparable goods.

In her case, for example, the T-shirts she sold to Disney in 1992 were about 15 percent more expensive to make than cotton T-shirts, but Disney managers were willing to pay more because they were intrigued by the product, she says.

"Unless you have this type of support first, you can't [break into] the mass market with some of these technologies," according to Bavaro.

Meanwhile, marketing researchers warn that it is tough for any company making an environmental claim to escape skepticism toward "green" products.

To combat such skepticism, many small businesses offering environmentally friendly products have pursued independent laboratory certifications of their products. Bavaro as well as Seventh Generation's Hollender both say certifications help keep consumer trust and set their firms apart from other companies.

Two of the more popular certifiers are Green Seal Inc. of Washington, D.C., and Scientific Certification Systems of Oakland, Calif. Both companies have established standards for types of environmental claims such as "recycled" and "biodegradable." Independent laboratories then examine products to determine if they meet qualifications such as percentage of recycled content.

Companies that want to tailor their marketing to environmental concerns, according to Stisser, should consider adopting either of two strategies. The first, he says, is to target simply the most committed "green" consumers. These consumers might be willing to pay more for environmental products, but they also want more information about the exact benefits a product offers. Environmental benefits, in the view of these consumers, can be the primary motivation for picking a particular product over others, he says.

The second strategy is to take a more mainstream approach that would tackle a larger portion of the market, he says. In this case, it's best to emphasize the efficiency and competitive pricing of an item first, then tout the benefits to the planet, Stisser says.

Hollender's experience with Seventh Generation shows the subtle environmental trade-offs that many companies must weigh as they work to find mainstream consumers. It is a struggle common among many small companies that are taking advantage of the green-marketing niche in the 1990s. But for those willing to meet the challenge, the rewards can be worthwhile. ■

Small Business Computing

Documents on demand; a lower toll on the information superhighway; a super subnotebook.

By Albert G. Holzinger

COMMUNICATIONS

Bulletin Boards' Global Reach

The law firm of Leboeuf, Lamb, Greene & MacRae has 16 offices as far apart as New York and Moscow. With approximately 1,000 attorneys and many more clients spread out among several nations and many time zones, the firm's operations personnel were constantly encountering logistical and cost obstacles to providing on-demand access to important documents, says Douglas Starkey, a regional information systems manager.

About a year ago, however, the firm overcame these barriers by establishing an electronic bulletin board system (BBS), Starkey says.

A minimal BBS consists of a "host" computer with moderate storage capacity, some inexpensive software, a modem, and a dedicated telephone line. Businesses with large file libraries and high volumes of calls require a host with one or more capacious hard drives, upgraded software, and multiple modems and phone lines.

A BBS is operational as long as the host computer is turned on; a system operator ("sysop" in BBS jargon) is required only to refresh the file library periodically and respond to incoming questions and requests for information. Users can access a BBS from anywhere in the world via their own modem-equipped personal computer.

At Leboeuf, Lamb, Greene & MacRae, lawyers and clients alike access the BBS around the clock to exchange messages, briefs, presentations, financial data, and other information. Unlike incoming faxes, which cannot be edited easily on a computer, documents retrieved from a BBS can be revised with any standard word-processing program and can then be sent back to the host, Starkey notes. This capability is important on projects involving several participants at more than one site, which are common at his far-flung company.

In contrast, Cornerstone Technology, a retailer of computers, peripheral equipment, and software, operates from a single storefront in Brooksville, Fla., and most customers live nearby. Yet Cornerstone also relies heavily on a BBS to provide a high level of customer service, says Rodney Willis, a software programmer who operates Cornerstone's BBS.

Customers access the Cornerstone BBS about 200 times a week, seeking answers to common technical problems, product and service information, or updated software. They also use the Cornerstone BBS as an entry point to the Internet, the fast-growing global web of computer networks. Willis says it takes only an hour or so each morning to keep the BBS current, and positive responses from customers more than justify the time commitment. "People literally rant and rave" about how much they benefit from using the BBS, he says.

Positive feedback from customers is a key reason business BBSs are proliferating at a "phenomenal" rate, according to Jack Ricard, editor of *Boardwatch Magazine*, which reports on bulletin boards and other computerized on-line services. Ricard says about 3,500 BBSs were in operation across the United States in 1987, when he launched *Boardwatch*. There are about 67,000 now, he says.

Ricard notes that most new systems are in small and medium-sized firms, like Cornerstone Technology and Leboeuf, Lamb, Greene & MacRae, which are seeking to provide high levels of staff support and customer service without adding employees.

John Howard, director of international policy and programs at the U.S. Chamber of Commerce, recently designed and built a BBS to facilitate communications among Chamber staff members in Washington, D.C., and American chambers of commerce (AmChams) worldwide. He is the board's sysop.

Cornerstone Technology *keeps customers such as Andrew Frey, left, satisfied with a bulletin board system. Cornerstone's Rodney Willis demonstrates the BBS.*

Howard says an old computer with a relatively slow processor will suffice for most BBSs, but he advises upgrading its hard-disk drive to 1 gigabyte, which costs as little as $500 at today's prices. He also suggests buying a modem with a transfer rate of 28.8 kilobits per second (kbps) from a reputable manufacturer, which will minimize the time it takes callers to transfer files and avoid potentially nasty compatibility problems. Modems of this speed and quality are available now for less than $350.

The sysops we've talked with use various BBS software packages, yet all warn that setting up a board can be time-consuming. "A BBS is a major communications hub, so setting it up properly will

take time, even if you are highly computer-literate," Howard says. "However, it can be fun, and it will be highly rewarding because of the positive comments you'll get from users."

We recently evaluated three major BBS software packages, and we have logged in to them as users many times over the years. Based on our experiences, we recommend the three highly.

All are modular, which means you can buy only the features you need, including a maximum number of simultaneous callers. Therefore, examine the sales literature carefully before you buy to ensure you get precisely those features you want. The three packages are:

■ **The Major BBS Version 6.25,** by Galacticomm Inc. of Fort Lauderdale, Fla. (1-800-328-1128); priced from $249.

■ **Wildcat! Version 4.01,** by Mustang Software Inc. of Bakersfield, Calif. (1-800-269-9185); priced from $129.

■ **PCBoard Version 15.2,** Clark Development Co. Inc. of Murray, Utah. (1-800-356-1686); priced from $150.

Popular On-Line Service Gets A Pretty Face Lift

Several beneficial changes have taken place or will be implemented soon at **America Online Inc.** (AOL) of Vienna, Va., the fast-growing electronic information service, with more than 1.5 million subscribers.

Although AOL's monthly service fee remains $9.95 for the first five hours of on-line time, the price for additional hours

America Online's *new look.*

has been reduced to $2.95 from $3.50. The decrease could result in substantial savings for business people who regularly conduct research on AOL's wide range of data bases, including the Internet.

Broad Internet access continues to be an AOL strength. Many Internet services, including electronic mail, Gopher data bases, and USENET chat groups, are accessible now from within AOL, and access to the World Wide Web (WWW) of computers is coming this winter, according to AOL officials.

However, perhaps the most noteworthy change at AOL is cosmetic. Recently released Version 2 of AOL's user interface consists largely of a series of highly graphical "buttons"; "pushing" them with a computer mouse click leads the user into the innards of the service. The result is incredible ease of use, even for first-timers. Current subscribers who have not received a software upgrade from AOL and those who wish to subscribe can call 1-800-827-6364. ■

HARDWARE

A Good Computer In A Small Package

Sales of portable PCs that weigh less than 5 pounds, called subnotebooks, more than doubled in 1994—from about 150,000 to just over 400,000 units—according to BIS Strategic Decisions, an industry research firm in Norwell, Mass.

Credit this explosive growth to the persistence and ingenuity of subnotebook manufacturers, who after years of trying finally have found ways to cram most desktop-PC features into lightweight, user-friendly packages.

The most elegant of the new breed of subnotebooks that we have tested is the **OmniBook 600C** by Hewlett-Packard

Co. of Corvallis, Ore. (1-800-443-1254). The sleek OmniBook measures about $7\frac{1}{4}$ by 11 by $1\frac{1}{2}$ inches and weighs in at a svelte 3.8 pounds (4.6 pounds including the AC power adapter and cable).

The base-model OmniBook, which costs about $2,600, features a 50 megahertz (MHz) version of Intel Corp.'s 80486/DX2 processor, a 170 megabyte (MB) hard-disk drive, 4MB of random access memory (RAM), and a high-quality (backlit, passive-matrix, in industry terms) $8\frac{1}{2}$-inch (diagonal measurement) color screen.

Hewlett-Packard's *OmniBook 600C.*

It also has two expansion slots that accommodate peripherals such as modems and network interface cards, an external $3\frac{1}{2}$-inch floppy disk drive, and a sophisticated battery that delivers more than $3\frac{1}{2}$ hours of life during normal use (it recharges fully in about two hours).

In addition, the OmniBook comes with a full array of ports for connecting printers, external monitors, and other devices; and its preloaded software includes Microsoft Corp.'s DOS Version 6.22 and Windows Version 3.11 operating systems, Traveling Software Inc.'s widely acclaimed LapLink Remote Access file-transfer program, and a suite of tools for enhancing productivity. Options include a 75MHz 80486/DX4 processor, a 260MB hard drive, and an upgrade to as many as 16MB of RAM.

But high-end component specifications are not the principal reason the new OmniBook is such a joy to use. Among its many other desirable qualities are a keyboard that accommodates fast typing and revision work even by users with large hands; H-P's unique "flying mouse," which allows users to carry out Windows pointing tasks on their laps or in cramped quarters; a screen that appears brighter and sharper than its specifications would indicate; and an instant-on feature. This feature allows users to return immediately to the task they were performing when they shut off the computer.

In our overall analysis, the OmniBook is close to a flawless machine in a category of computers that has been most notable for its imperfections. ■

PRODUCTIVITY TOOLS

Coping With Postal Hikes

If your company uses the mail for advertising purposes, recent postage rate increases of about 14 percent for third-class bulk mail no doubt will hurt your profitability if you don't cut costs elsewhere. You probably can cut your postage losses, however, with a new computer program, called **Mailer's+4**, from Mailer's Software of San Clemente, Calif.

This $249 program, which contains ZIP-code and other data on CD-ROM (compact disk, read-only memory), can help you clean up mailing lists. Moreover, it can help you obtain as many as possible of the discounts offered by the Postal Service for mail addressed with extended ZIP codes (ZIP+4), bar codes, and other information. For details, call Mailer's Software at 1-800-800-6245. NB

BENEFITS

Benefit Costs Hit Record High

Employers' average outlay for benefits reached $14,807 per employee in 1993.

By Roger Thompson

Employee benefit costs hit a record high in 1993, driven largely by corporate restructuring and rising health-insurance premiums.

A survey of 1,057 employers conducted by the U.S. Chamber of Commerce showed that benefits—including Social Security and other payroll taxes, holidays, and vacations—accounted for 41.3 percent of payroll costs in 1993, up from 40.2 percent the year before. (See chart.)

Employers spent an average of $14,807 on employee benefits in 1993, up 8.6 percent from the $13,631 average spent per worker in 1992.

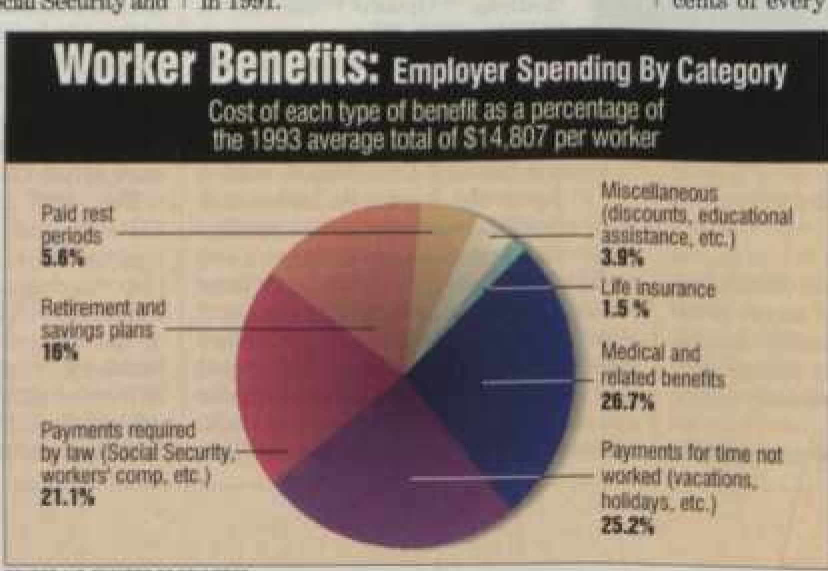
The financial impact of corporate restructuring accounted for more than half of the increase in benefit costs, says Martin Lefkowitz, the Chamber economist who conducts the annual benefits study. Permanent layoffs and early-retirement buyouts add to benefit costs primarily through severance pay and retiree health benefits. The 1993 survey was the first to ask for information on the cost of severance pay.

Health insurance also contributed to the rising cost of benefits. The average cost of health premiums per employee hit $2,851 in 1993, up 10.5 percent from $2,579 in 1992.

Employers' share of all medically related costs—including health insurance, retiree health insurance, long- and short-term disability insurance, dental and vision insurance, and wellness programs—totaled $3,995, an increase of 14 percent from $3,504 in 1992.

The cost of medically related benefits varies greatly from region to region. Employers in the Northeast paid the highest average amount, $5,315, while employers in the East North Central states (Illinois, Indiana, Michigan, Ohio, and Wisconsin) paid the smallest amount, $2,987. Employers in the Southeast paid an average of $3,217, and those in the West paid $4,887.

The number of firms reporting the implementation of new cost-cutting measures actually fell in 1993. Forty-seven percent reported they had increased or instituted a deductible in the past two years, a sharp drop from 71 percent in 1991. Forty-one percent said they had increased the percentage of premiums paid by employees, down from 44 percent in 1991.



SOURCE: U.S. CHAMBER OF COMMERCE

"I think they were waiting to see what happened" with health-care reform, says Lefkowitz. "Reform seemed like such a certainty, so why go to the trouble to do things until you see what happens?"

The survey showed that employers continue to change the type of retirement and savings plans offered to their workers. Firms providing traditional defined-benefit pension plans declined from 36 percent in 1992 to 34 percent in 1993. Defined-benefit plans guarantee a yearly pension based on years with the company and final salary. Forty-eight percent of the companies surveyed offered defined-benefit plans to their employees in 1987.

Companies with 401(k) savings plans increased from 53 percent in 1992 to 56 percent in 1993. Only 39 percent of companies offered 401(k) savings plans in 1987. Employers in 1993 contributed 32 cents of every dollar deposited in 401(k) plans.

Benefit costs varied significantly among the industries surveyed. Manufacturing companies paid the most per employee, $15,839, compared with $14,476 for nonmanufacturing companies.

Public utilities, a nonmanufacturing category, paid the most in total benefits, $21,388 per worker, followed closely by chemical, petroleum, and transportation companies.

Retailers paid the lowest level of benefits, $5,981, followed by textile and apparel manufacturers, $7,994, and banks at $11,153.

Lower benefit levels in these industries reflect the large number of part-time and seasonal workers who generally do not qualify for benefits.

The collapse of health-care reform last year on Capitol Hill has spurred an unusual amount of interest in the new survey, says Lefkowitz. "A year ago, people thought the government was about to take over health insurance and retiree health costs. Now the burden has shifted back to business. The ball is back in their court." NB

How To Order

Copies of *Employee Benefits, 1994 Edition* are available for $29. Add appropriate sales tax for deliveries to California and the District of Columbia. To order, call 1-800-638-6582 between 9:30 a.m. and 4:30 p.m. Eastern time. In Maryland, call 1-800-352-1450.

Also available is the Employee Benefits Analyzer, a computer software program that allows companies to compare their benefits with those of companies in the same industry, geographic region, and size category. The program costs $95. It runs on IBM and IBM-compatible computers and is available on 5¼- or 3½-inch disks.

The computer program is available through the address or phone number listed at left.

The survey publication and software can be purchased together for $115.

FINANCE

Heightened Scrutiny For S Corporations

The IRS is going after company owners who pay less than they owe in self-employment taxes.

By Peter Weaver

The Internal Revenue Service has stepped up its audits of S corporations to catch owners who cheat on FICA self-employment taxes. "One of the reasons we are increasing our audit coverage of small [S] corporations is the issue of officers not counting themselves as employees and distributing everything as a profit to avoid the self-employment tax on wages," says Bill Roth, IRS director of corporate examination programs.

In 1988, 1.2 million S-corporation returns were filed, and 7,331 were audited. In 1992, the most recent year for which figures are available, returns had climbed to 1.8 million and audits to 18,466.

"What they're looking for is unpaid Social Security and Medicare taxes," says Paul Offenbacher, president of Offenbacher & Co., a Silver Spring, Md., accounting firm. If the money is paid to corporate officers as a distribution of profits, it is not subject to FICA (Federal Income Contribution Act) taxes, which amount to 15.3 percent of wages paid (12.4 percent for Social Security and 2.9 percent for Medicare).

In partnerships, limited-liability companies, and sole proprietorships, all income flowing to partners and owners is subject to FICA taxes. S corporations—which pass all income and losses to shareholders (owners), who report it on individual tax returns—may distinguish between salary and profit for FICA tax purposes.

Roth says compliance with employment-tax regulations, which require payment of a "reasonable" salary, has slipped from 80 percent to 60 percent in recent years.

A recent case, Dunn & Clark vs. Commissioner of Internal Revenue, illustrates the compliance problem. A federal court found two attorneys operating as an S corporation failed to pay themselves salaries. They took compensation as a distribution of profits instead, bypassing FICA.

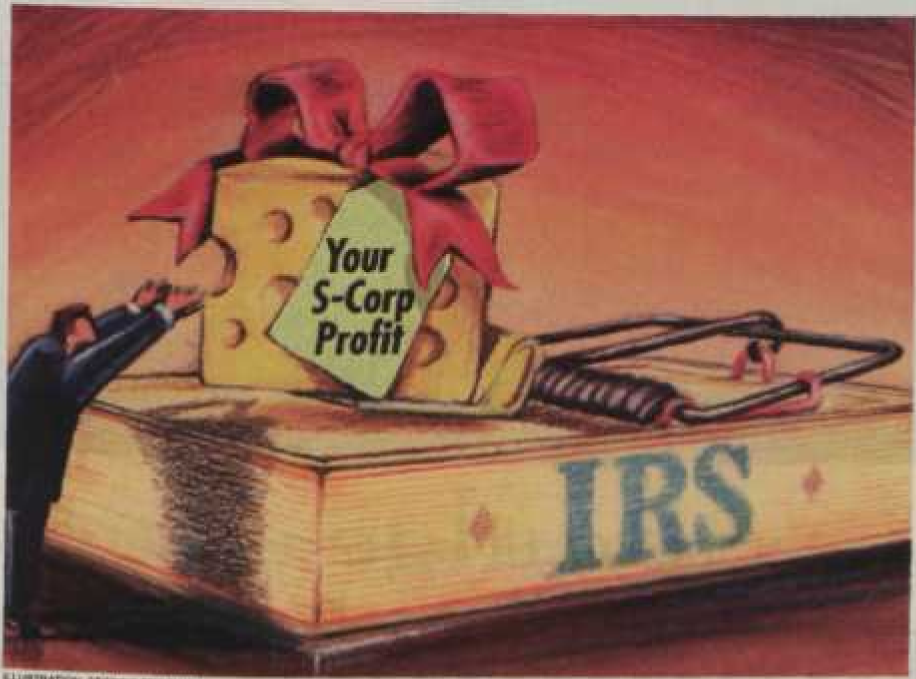


ILLUSTRATION: GEORGIA MCDONALD

The court ruled that the attorneys "were employees of the corporation for employment tax withholding purposes [and] the corporation had no reasonable basis for not treating the attorneys as employees." As a result, the attorneys had to pay a total of $12,300 in back taxes and penalties. The figure, which was calculated by the IRS, reflected employment taxes that the attorneys would have owed if they had paid themselves "reasonable" salaries during the years in question.

The concept of reasonable salary is central to understanding S-corporation taxes. Suppose, for example, a consulting firm pays its three officers $10,000 each in salary and $50,000 each as distribution of profit. When their S-corporation tax return is audited, the IRS learns that all three officers have worked full time. Since consultants in comparable lines of work typically earn $50,000 or more a year, the IRS rules that each officer should have received $50,000 in salary and $10,000 as distribution of profit.

Roth suggests using an "arm's-length approach" to determining reasonable compensation: "If you had no ownership interest [in the company], what would be your salary?" Such an approach gives the company owners considerable protection in an audit situation, says Roth.

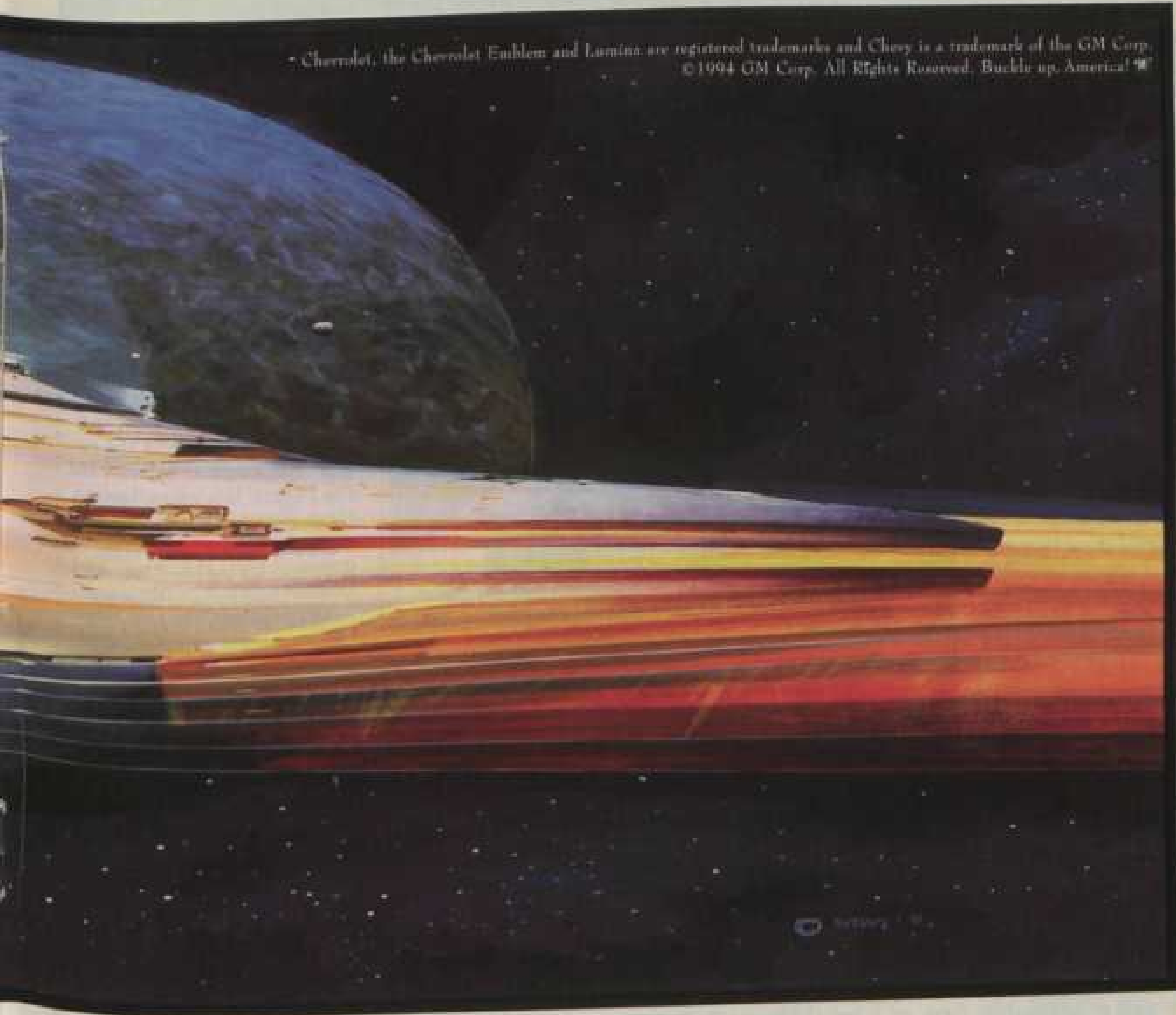
A "reasonable" distribution of profit can also be calculated. In general, S-corporation owners are entitled to a reasonable return on their investment. Let's say you invested $500,000 in your business over the years. You could expect at least a 10 percent return if you had put it in the stock market. That's the average annual return on publicly traded stocks for the past 25 years.

Let's also say that your company has $100,000 to distribute to you as salary, or profit, or both. Using the 10 percent return-on-investment approach, you could take $50,000 as a return on your $500,000 investment and a salary of $50,000.

You could justify a larger profit distribution if you had cut back on your hours by delegating management responsibilities. If you worked just three days a week, you could cut your salary to $30,000 and take $70,000 as a profit distribution.

By carefully calculating salary and profit, S-corporation owners can minimize the chances of being audited. The IRS has programmed its computers to flag S-corporation tax returns that show big profit distributions and little or no salary. The IRS simply compares Line 7—Compensation of Officers—on the front page of an S-corporation tax return with Line 21—Net Profit From Trade or Business. If Line 21 shows a large sum and Line 7 shows little or nothing paid in salaries, then the return is a good candidate for an audit, Roth says.

"The key to keeping the IRS off your back is determining what kind of salary and profit distribution will pass the screen," Offenbacher says. "It's awfully tempting to say that you got no salary or a very small salary. But this practice is becoming increasingly dangerous. Once [IRS auditors] get into the audit process, they can go back three to five years and collect a whole list of unpaid taxes and penalties." NB



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REGULATION

Family Leave Rules Issued

The Labor Department spells out how workers can take unpaid time off for family and medical problems.

By Laura M. Litvan

ILLUSTRATION: RICHARD SAGE

After many delays, the federal government has laid out the ground rules for the Family and Medical Leave Act of 1993, which allows workers to take up to 12 weeks of unpaid leave annually to care for their families or tend to serious medical problems.

While studies show that employee use of unpaid leave has been minimal, the regulations, issued Jan. 6, underscore that employers need to keep this law in mind.

Congress passed the law in response to increasing pressures on Americans to juggle work and family needs. Family leave is allowed for the birth or care of a newborn or adopted child or to care for a sick family member. Medical leave is allowed for serious medical conditions.

But small companies may find that the Labor Department's regulations, which take effect Feb. 6, make the law more expansive than they were expecting, says Frank T. Coleman, managing partner of the Washington, D.C., law firm of Coleman, Coxson, Penello, Fogleman and Cowen.

For example, under the rules, workers can obtain certification to take medical leave not only from physicians but also from chiropractors, podiatrists, midwives, clinical social workers, and a host of other care-givers.

Likewise, the rules define "serious medical condition" as a condition that prevents a person from going about his or her regular activities for three or more consecutive days and for which the person is receiving medical care.

Common ailments like flu or a cold can meet the standard only if complications arise. Chronic conditions, such as diabetes and asthma, are covered even if the worker is not incapacitated for three days, the rules say.

While most workers who use unpaid leave presumably will do so for legitimate reasons—such as to care for a newborn child—employers should be aware of the potential for abuse, says Coleman, who specializes in employment law. In the worst-case scenario, the law could interfere with efforts to discipline a chronically late or absent employee, he says. Because the law provides job protection to leave-takers, it might provide a shield for such employees, he says. "The law is written as if every employee is fair and honest and a model employee, but in the real world, some employees are seeking to take advantage of every loophole and crutch a law gives them."

One practical way to curb misuse of the law, Coleman says, is to communicate routinely with workers about leave use whenever they return from time away. An employee who wishes to use leave under the law should sign paperwork requesting it and giving the reason for the leave. This can be retained for record-keeping purposes and further questioning if the use of leave becomes suspect, he says.

The law applies to companies with at least 50 employees. To qualify, an employee must have worked for the employer for 12 months and clocked at least 1,250 hours. While a worker is on leave, the company must continue to pay group health insurance if the firm offers it and the employee is a participant. The employee must be allowed to return to the same job or an equivalent position. If a company is based in a state that provides more-extensive family and medical leave than the federal law, state law pre-empts the federal statute.

So far, several studies show only limited use of the leave policy. In California, which has a leave law similar to the federal statute, a study by the University of California at Berkeley found that according to three-fourths of the responding firms with under 200 employees, less than 1 percent of their employees had taken unpaid leave in 1993. And in St. Louis, Ray Hilgert, a business professor at Washington University, surveyed 25 employers in the region last summer to see how the federal law was affecting them. About half said they had not received any leave requests, and the rest had granted only one or two leaves.

Nevertheless, the new regulations contain important guidance for instances where leave is used. Here are a few other matters covered in the rules:

Intermittent Leave. Workers generally have the right to take their leave in increments as small as an hour at a time. But if the company lets workers take their paid leave in smaller increments, such as half-hour allotments, then leave must be granted for periods of that length.

Medical Certifications. An employer who believes an employee's medical certification for leave is suspect can, at its expense, require a second opinion. If the second opinion differs from the first, then a third opinion settles the matter.

Workers' Compensation. A worker receiving workers' compensation can also use his or her 12 weeks of unpaid leave under the act. The employee can choose whether to return to work in a medically approved light-duty assignment during that time.

Substance Abuse. Substance abuse is recognized as a medical problem under the law, but leave can be taken only for the purpose of seeking treatment.

So far, there has been little enforcement activity under the law. During the first year of the law's existence, regulators resolved about 90 percent of 1,000 employee complaints of noncompliance with nothing more than a phone call to the employer, Labor Department officials say.

The department can take legal action against violators, and so far it has filed three lawsuits against companies. In two cases, the employer allegedly fired a worker for requesting leave. In the third, the employer has been accused of refusing to reinstate a worker. The suits are pending. NB

FUTURE FAX

Try This New Information Delivery System, RIGHT NOW

You're talking with your customer, answering questions and describing your products. He wants to see some printed information. You scribble his name and address on an envelope, and put a brochure in the mail. A few days later, you remember the client, fumble for the address and your tickler file reminds you to call back and follow up.

"What do you think of my products? Did you get my brochure?" "No."

He never got it. It got lost in the mail, it came to the wrong office. He thought it was junk mail and trashed it. Maybe you forgot to send it. It doesn't matter what excuse you use, the fact is that you lost a sale. In the age of fax and e-mail, you might as well use courier pigeons as the post office. Yet mailing printed material is business as usual for most business owners.

What about fax technology? If the client asks for printed information, you take his fax number, drop papers in the fax hopper, and he gets your material right away. That's better, but it's still old-fashioned.

There is a smarter way to get information to prospects. Consider this: You give your client your special phone number. The system asks what information he wants and requests his fax number. He keys in his fax number and hangs up. A few seconds later the prospect gets your printed information along with a menu of additional options. The menu can say "Extension 101 is a product price list. Extension 102 has information on our financing plan. Extension 103 is the specifications on our deluxe model." The customer then calls back for more details Right Now. Your customers can get the information they want, right now, right in their fax machine, or the fax machine of their boss. And it happens NOW. That's how MarketFax delivers information.

A New Technology

MarketFax is a new technology from Alternative Technology Corporation, Hastings-on-Hudson, N.Y. It combines new computer technology with voice cards, fax boards, and easy to use software to create a whole new type of information system. It's a better way to deliver information. It is instantaneous. It responds to the client when they are interested. It gives your clients exactly what you want them to see. It's an entirely new service and it can work for you. It's easy for your clients to use, and changes how you get information into the hands of people who want it.

To compete in today's rapidly changing global markets, savvy business owners use new technology to improve channels with clients.

Here's an example: The Boston Computer Exchange, took all the documents they normally mailed to their clients and put them into the MarketFax system. They have price sheets, news items, hot products, policy statements, listings forms, nine-year price comparisons, order forms, and everything else. It's all available to any client anywhere in the world who has a fax machine. Americas Trading Company in New York uses MarketFax to list auctions and inventory liquidations in a timely fashion. Everything they have in writing is available to all clients; anytime; to any fax machine.

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OK, so it delivers information right now. It must be hard. NO. The best part of MarketFax is that it is as easy for the owner to use as it is for the customer. The system is delivered as a complete package based on a personal computer, with a scanner, some specialized computer boards and amazing software. All you do is plug it in, scan in your documents and begin telling people how to get it. That's it. It's easy.

President & Founder Tom Kadala says "Savvy business owners are finding hundreds of new uses for this kind of fax response technology."

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POLITICS

Same Gavels, New Hands

Small-business panels in Congress look to play a role in the GOP agenda on taxes, regulation, and other issues.

By James Worsham

Congress' small-business committees aren't exactly legislative powerhouses. They don't levy taxes, spend money, or write budgets. Each has a narrow jurisdiction, and no industries hang on their every action. Their work captures few headlines.

Nonetheless, the new Republican chairmen of the House and Senate panels—who want to help advance a GOP congressional agenda—have served notice that small business will have its say on big issues that matter. If nothing else, the chairmen will hold hearings, write reports, and make themselves heard.

"We have a broad charge to look beyond what the Small Business Administration is doing and find out what's going on elsewhere," says Sen. Christopher S. "Kit" Bond of Missouri, who has taken over the Senate's small-business panel. "We're going to look at any proposed legislation that directly relates to small business."

His House counterpart, Rep. Jan Meyers of Kansas, is already on the move, holding hearings in January on the House GOP agenda's impact on small business. For small-business people, she says, her committee will fill a need for "some kind of conduit in Congress, some kind of place where they can bring their concerns." She adds: "Everything we do ... falls with a heavier hand on small business."

The two Midwestern lawmakers—who have been active supporters of such long-time small-business goals as regulatory reform and paperwork reduction—received their gavels as Republicans assumed control in January over both houses of Congress for the first time in 40 years.

Even though some House Republicans had advocated abolishing the small-business panel in the name of reform, the committee, with its natural GOP constituency, survived while three others—Merchant Marine and Fisheries, Post Office and Civil Service, and the District of Columbia—perished. There was some talk in the Senate about abolishing Bond's panel, but it too survived.

The two new chairmen are no strangers to each other. Bond, a former Missouri governor, has represented his state in the Senate since 1987. At times, he has focused on problems in the Kansas City region, which includes the Kansas suburbs that Meyers, a former leader in the Kansas state senate, has represented in the House since 1985. And they have worked together from time to time, especially on Kansas City area issues, such as disaster aid.

Sen. Christopher S. "Kit" Bond

Chairman, Senate Small Business Committee

Republican of Missouri

Age: 55

Education: Princeton University, B.A., 1960; University of Virginia, J.D., 1963.

Previous Political Office: Assistant attorney general of Missouri, 1969-70; Missouri state auditor, 1971-73; governor of Missouri, 1973-77 and 1981-85; U.S. senator, 1987-present.

Senate Committees: Appropriations; Banking, Housing and Urban Affairs; Budget; Environment and Public Works; Small Business.

Winning Percentage Last Election: 52 percent.

U.S. Chamber Ratings: 85 percent cumulative through 1993, 100 percent for 1993 alone.

"We've had a great deal of positive experiences with both of them," says Peter Levi, president of the Greater Kansas City Chamber of Commerce, with 3,000 members in Missouri and Kansas. Both lawmakers, he says, stay in touch with small-business concerns through the chamber and during frequent trips back to the two-state Kansas City region.

Now, both are expected to try to reinvigorate their committees. "Both of them as new chairmen are going to be interested in making their committees work on new bills," notes former Republican Rep. Bill Frenzel of Minnesota, now a guest scholar at the Brookings Institution, in Washington.

A Former Governor

Elected to a second Senate term in 1992, the 55-year-old Bond is optimistic that he can give some clout to his committee to relieve what business views as "burdensome" federal regulations: "We can use this committee, aggressively, in a pro-active manner, to take a look at many of those burdens."

Bond's first foray into politics came when he was still in his 20s—an unsuccessful bid for a U.S. House seat in 1968. Two years later, however, he was elected Missouri state auditor, and in 1973 he became the state's youngest governor at the age of 33. He narrowly lost a bid for re-election in 1976, but he came back in 1980 to win a second term as governor. In 1986, he won election to the Senate, succeeding retiring Democrat Thomas F. Eagleton.

In the Senate, Bond has been a fiscal conservative and a pro-business lawmaker. He has focused on both home state issues—such as 1993 flood relief, defense spending, farm programs, and highway funds—as well as national issues, such as health-care reform, children and family programs, and reforms in public housing.

In 1990, he was one of only six senators to vote against the Americans with Disabilities Act—citing the regulatory burden. In 1990, he played a major role in a key compromise on a provision in a clean-air bill that eased its impact on producers and users of high-sulfur coal.

At times, Bond has broken ranks with fellow conservative Republicans, espe-

cially on children and family issues. With Christopher J. Dodd, D-Conn., he co-sponsored the final version of the Family and Medical Leave Act, which was vetoed by President George Bush but signed by President Bill Clinton in 1993.

During the past few years, Bond was also active on the issue of reforming health care and has opposed employer mandates. He endorsed instead some of the more-modest reforms that had a following in the Senate late last year before health-care reform was shelved.

A Local Beginning

The 66-year-old Meyers, now in her sixth term in the House, draws on her familiarity with small-business problems from the companies in the fast-growing Kansas suburbs across the state line from Bond's Kansas City, Mo.

Meyers promises to outdo the predecessor panel when it comes to focusing on the problems faced by small firms. "We will be a little more *small-business* oriented," she says.

Meyers served on the Overland Park, Kan., City Council for five years and in the Kansas State Senate for 12 years. She made her first bid for national office in 1978 with a run for the GOP nomination for the U.S. Senate but lost to Nancy Landon Kassebaum, now in her third term. In 1984, Meyers won a vacant U.S. House seat from Kansas' 3rd District.

In Congress, Meyers is considered a moderate Republican and has focused much of her time on her constituents' concerns, such as highway funds for her growing district. At times, she has broken ranks with the GOP, most notably with her pro-choice abortion position; from her seat on the International Relations Committee, she has also been active in international family-planning work.

In 1993, Meyers became the ranking Republican on the small-business panel, where she has pushed not only for annual reinstatement of the 25 percent tax deduction for health-care coverage for small businesses but also for making the costs 100 percent deductible, as they are for large companies. The 25-percent provision expired at the end of 1993 and has not yet been reinstated.

Now, as panel chairman, she is the only woman in the House Republican leadership and the first woman to chair a standing House committee since 1976.

Both Meyers and Bond want to put more muscle in their committees, despite lack of jurisdiction over major issues and reputations.

"They're seen as committees that coddle the small-business lobbying community," says Norman Ornstein, a resident scholar at Washington's American Enterprise Institute. The Brookings Institution's Frenzel adds: "Historically, [they have] been a cheering section good at supporting small business but never advancing the ball at all."

Others, however, note that the committees provide an important forum devoted solely to small-business issues—views that can get lost or obscured on larger committees with broader concerns.

PHOTO: ©TERRY ASHE

Rep. Jan Meyers

Chairman, House Small Business Committee

Republican of Kansas (3rd District)

Age: 66

Education: University of Nebraska, B.A., 1951.

Previous Political Office: Overland Park, Kan., City Council, 1967-72 (president, 1970-72); Kansas State Senate, 1972-84 (chaired Public Health and Welfare, Local Government committees); U.S. representative, 1985-present.

House Committees: Economic and Educational Opportunities; International Relations; Small Business.

Winning Percentage Last Election: 57 percent.

U.S. Chamber Ratings: 83 percent cumulative through 1993, 91 percent for 1993 alone.

"The most important thing you can say about the small-business committees is that they focus attention on small-business concerns," says Lonnie P. Taylor, vice president for congressional affairs for the U.S. Chamber of Commerce. For example, he says, on an issue such as paperwork reduction, "if they have hearings, and persist in keeping the focus on the issue, they will have served their purpose."

The fact that the panels survived attempts to eliminate them, especially in the House, Taylor adds, "speaks to the importance of the committees." And despite their criticisms, Ornstein and Frenzel both believe that with a Congress more oriented to small business than in previous years, the two panels may have more influence.

The two new chairmen make it clear they'll be trying to capitalize on the new GOP majority's vote of confidence to increase their clout and visibility. Both plan to get involved in pushing for a rewrite of the Regulatory Flexibility Act, which died in the 1994 Congress, and to seek greater reductions in paperwork requirements on small business by strengthening the 1980 Paperwork Reduction Act.

Bond, who has studied the impact of regulations on business for years, also says he hopes his panel can issue an annual report on the regulatory, taxation, and litigation burdens on small businesses. He is co-chairing a Senate GOP task force on regulatory reform.

His committee, which is making paperwork reduction one of its top agenda items this year, began the new Congress with its own reform—eliminating the panel's six subcommittees.

Both chairmen oppose abolition of the Small Business Administration, as some budget-cutters have suggested, but they both plan oversight hearings on the agency, the only one over which the panels have jurisdiction. Meyers, who began hearings in January, notes that the agency makes $14 billion in loans annually and carries a loan portfolio of $21 billion. "I want to make sure all of those are in very sound shape," she says.

Before SBA hearings, however, Meyers was holding hearings in January on matters related to the Contract With America, which House GOP leaders want to pass within the first 100 days of the new session. Issues include various tax-change proposals pending in the Ways and Means Committee.

In both chambers, the small-business panels have not been as fiercely partisan as other committees, and the support for regulatory reform, paperwork reduction, and other measures favorable to small firms is broad. Notes Bond: "The needs of small business have support on both sides of the aisle." NB

RETAILING

Tips For Becoming A Better Buyer

Pick your show carefully, plan your trip early, keep customers in mind—and pack sensible shoes.

By Meg Whittemore

When you ask the firm of George Little Management Inc. (GLM) to share the secrets of shopping one of the many trade shows it produces across the country for small-store retailers, don't expect any startling revelations.

"It simply requires planning, some common sense, and allowing enough time to make good buying decisions," says Cathy Fineman, the White Plains, N.Y., company's director of public relations.

Planning, according to the experts, ranges from having travel arrangements and show registration done far in advance to bringing along detailed information on your store and a good pair of walking shoes.

Retailers depend on trade shows—also known as buyers' shows or consumer-product shows—to find merchandise that will attract customers. Shows cover virtually every merchandise niche, from women's apparel, gourmet food, and home furnishings to building materials, sports equipment, and lodging-industry goods.

Small-store retailers typically attend several shows each year, placing orders far in advance of the next selling seasons. Orders are based on projections of future customer preferences, and if projections are not done carefully, the retailer could end up buying too many or too few of some products.

"Think in terms of what your customers might like to see and buy in your store," says Pauline Gitelson, owner of Nature's Touch, a women's clothing and accessory store in Lewes, Del. To keep track of merchandise that interests her, Gitelson takes a tape recorder with her on buying trips. "If I see something in passing that looks interesting, I record the booth number, the item, and my reaction so I can plan to return the next day," she says.

On a return trip, one show-goer suggested, you should walk through the show floor in the opposite direction; you'll often see things you missed the first time.

It's also important to know who your customers are. "The kinds of people who frequent your store play an important part in your show-selection process," says Fineman of GLM. Small, regional shows are ideal if you're interested in pleasing traditional or regional tastes, and they require minimal travel. The larger national and international events offer a greater variety of merchandise aimed at a wider range of customers.

ILLUSTRATION: ALBERTO PACHECO

Many retailers have their favorite tips on the best way to attend shows. Several interviewed by *Nation's Business* said, for example, that you should be prepared to show exhibitors a printed list of your creditors, especially if you are a new retailer.

Another tip comes from Carol Schroeder, the buyer for Orange Tree Imports, a gift shop in Madison, Wis. "We use sheets of stickers, each containing the store's name, address, and telephone number, and put them on the top of our orders," she says. "The vendors love it because it saves them time and they get our store information down correctly."

Trade-show producer GLM offers those attending its show for the first time a number of suggestions to help them draw the most benefit from the show:

Plan Ahead. Determine which shows are best for your business by learning all you can about as many shows as possible. To do that, check industry publications for show listings (most carry an annual or biannual list). Contact each show for more information. Plan your trip 90 days before the opening of the show to avoid last-minute problems with travel arrangements or registration.

Make The Rounds. Use the show directory to find specific exhibitors. Many buyers walk through the entire show first, taking notes of exhibits they want to visit the second time around.

Educate Yourself. Seminars and after-show activities are opportunities for show participants to meet and exchange ideas. Seminars are typically offered by show management companies to help you take full advantage of the show experience.

Odds And Ends. Take a notebook, a tote bag for show and product literature, traveler's checks and credit cards, credentials and personal identification, and business cards.

Take your tax resale number, credit references, photos of your store and fixtures, fixture measurements, and your buyer registration badge.

Leave the children at home: Most shows won't allow children under 14.

And pack comfortable walking shoes. Says Jim Whellan, co-owner of Aumakua, a San Francisco gifts and crafts store: "Believe it or not, the most important things are the shoes I wear. It is virtually impossible to think clearly and make good buying decisions when your feet hurt." NB

FINANCE

Matching Investors And Entrepreneurs

Venture-capital forums help small and midsize companies find the funds they need to grow.

By Joan C. Szabo

In a search for $2.5 million in venture capital to expand her software firm, Louise Short got the undivided attention of 100 potential business investors at the annual Oklahoma Investment Forum, a matchmaking program organized by the Tulsa Chamber of Commerce.

Short described her two-year-old business's capital needs and gave long-range sales projections. The firm, Digital Impact, Inc., of Tulsa, develops and markets multimedia software for the educational and entertainment markets.

Since Short made the presentation in September, eight venture-capital investors have spoken to her about gaining a stake in the company. Three of the eight have made serious offers. Short says she expects a financing arrangement to become final by February.

The company has begun marketing new interactive educational software called Ozzie's World, which has games and stories that teach children ages 3 to 8 about ecology and other branches of science. The money Short raises will be used to develop new titles. The company has annual sales of $1.5 million; Short hopes to turn it into a $50 million enterprise within five years.

The Tulsa event is among a growing number of similar venture-capital forums across the nation that are designed to help small and midsize companies locate funds, and it is one of the few run by a local chamber, says its director, Sue Bennett. One of the others, the Arizona Venture Capital Conference, is organized by the Phoenix Chamber of Commerce to attract capital to Arizona.

Venture Capital Journal, a monthly publication from Venture Economics, lists 70 to 80 investor forums each year. Many of these meetings are sponsored by local accounting and law firms to help match companies with investors. Some forums are sponsored by local and state agencies to spur economic development.

Venture capital is a pool of funds from institutional and private investors. It is not a loan but rather money invested in businesses at risk. In exchange for ownership positions, the investors offer management assistance, as well as the funds.

PHOTO: STEVE JENNINGS

Software maker *Louise Short, conferring here with artist Marty Coleman, says eight venture-capital investors have spoken with her since her presentation at the Tulsa Chamber's investment forum.*

The investors gain a level of ownership by receiving an equity position in the company in the form of securities, including common and preferred stock and convertible debt instruments. A convertible instrument is a preferred share or bond that can be exchanged for a set amount of some other form of investment, usually common shares.

Venture investors hope that small firms they back will perform so well that their initial investment will grow substantially, from three to five times in 10 years or less. After a period of years, assuming the firm is successful, the investor sells out—either to the company, the public, or a larger business that acquires the company.

Bennett says the Oklahoma gathering's reputation has grown since its inception in 1991, attracting more investors and companies each year. In 1991, 35 out-of-state investors and three presenting companies from Oklahoma attended, compared with 82 out-of-state investors and 30 companies in 1994. Of the 30 companies in 1994, 29 are based in Oklahoma.

The Tulsa chamber takes an active role in the forum because "it helps create jobs, encourage investments, and boost state and local revenues needed to improve public services," says Bennett. Since 1991, more than $40 million has been invested in the small companies that have participated. Typically, companies attending the Oklahoma forum are seeking $1 million to $6 million in financing.

Bennett says such a forum is particularly important in Oklahoma, which has only six state-based venture-capital funds supporting state companies. Texas, in comparison, has 44 such funds, according to Pratt's *1993 Guide to Venture Capital Sources*. (The guide, also published by Venture Economics, lists venture-capital sources by state. It costs $225 and is available from Securities Data Publishing. Call 1-800-455-5844.)

Short and many other business owners attending this year's Oklahoma forum

agree that the program is a good way to meet local and national investors.

Lawrence Field, chairman and chief executive officer of Tulsa's Silverado Foods, attended the 1992 event. He says the forum helped his company attract a $5.3 million investment. Before the capital infusion, Silverado had only 32 employees; it now has about 350.

The forum helped Field establish an investment relationship with Commonwealth Associates, of New York City, which invested $3.3 million in the firm and brought in a co-investor, Texas Growth Fund, which invested $2 million.

In addition to providing an opportunity to attract investors, the forum also gives business owners a chance to demonstrate their professional skills as entrepreneurs. They are required to prepare a business plan, develop detailed financial forecasts, and plot a schedule for product development.

Half the 30 companies attending the 1994 forum were asked to give a formal presentation detailing their firms' attributes. All 30 displayed their products or services in an exhibit hall.

Among investors, praise for the forum was also enthusiastic. "It's a good way to take a close look at fast-growing companies in need of cash," says Andrew C. Muller, an investment banker who attended the 1994 event. Muller is a vice president of Capital Alliance Corp., a Dallas investment banking firm.

"There are real business people there with real business situations and opportunities," he says. "A company's business plan gets a close look at the forum. In addition, I can see if the business owners believe in their business plans. This makes a big difference."

To attend, Oklahoma businesses or those with ties to Oklahoma businesses are asked to complete an application form, submit a business plan, and pay a nonrefundable registration fee of $250. The business plans are reviewed by a panel of accountants and attorneys to determine companies eligible for presentations.

The selection committee looks at a series of factors in making its decision, including projected rate of growth and whether the product or service is "leading-edge." Generally, a 20 percent annual growth rate or better is expected.

In searching for investment possibilities, investment banker Muller says he looks closely at what makes a business different from another in the same field, why the company is likely to succeed, and whether it has strong management, healthy financial projections, and potential for solid return on investment.

Above all, Muller says, an entrepreneur should be prepared to defend all of the projections that are included in the business plan.

Short says the Oklahoma meeting exposed her to investors from around the country: "From a small-business standpoint, it's an ideal forum for the entrepreneur in search of capital." NB

To Find Out More

Small-business owners who wish to find out about individual investment forums may want to obtain a copy of *Venture Capital Journal*, a monthly publication from Venture Economics, a New York research information firm that specializes in the venture-capital industry.

The publication provides a detailed calendar of investment forums scheduled throughout the United States. It is available in some business libraries or by subscription.

The cost is $795 a year. Write Securities Data Publishing, 40 W. 57th St., 11th Floor, New York, N.Y. 10019; or call 1-800-455-5844.

Also worth checking are trade journals on individual industries.

INSURANCE

Protecting Your Home Business

The typical homeowners' policy isn't enough. You need specialized coverage when a spare room becomes your office.

By John S. DeMott

Entrepreneurs who start home businesses may face an unforeseen risk: improper or inadequate property and casualty insurance. Nearly all homeowners' policies exclude financial losses related to business—so-called business pursuits.

Homeowners' policies also typically exclude liabilities arising from business use of the home—for example, a delivery person's injury from tripping over a tricycle in your driveway while making a business-related call. If the injury is not covered by the delivery company's insurance and the person or the company files a negligence suit, you would probably lose if the case went to trial, experts say.

Similarly, homeowners' policies provide only modest coverage for loss of computers and other office machinery—usually no more than $2,500, when many home businesses own equipment worth several times that. And income lost because of the loss of business data—client lists, design specifications, check registers, proposal drafts—isn't covered at all.

Although homeowners' policies can be amended to cover a certain amount of business-related loss, some businesses are excluded. In general, home-based firms that rely solely on homeowners' policies for liability coverage are underinsured.

Says Linda Mears, an underwriter with Firemen's Insurance Co., a regional carrier based in Washington, D.C., in referring to the gaps in home-business coverage in a typical homeowners' policy: "There's a real sinkhole there."

And many home-based businesses are treading on it. Most owners of home-based businesses don't realize that homeowners' policies won't provide business-related protection, reports Utica Mutual, in Utica, N.Y., after working with focus groups.

One estimate of the size of the market now for home-business insurance comes from Link Resources, a marketing research firm in New York City, which estimates that there are 43.3 million people working full time or part time from their homes.

That number is expected to expand—it grew 4.9 percent in 1993 over the previous year and rose 6.8 percent last year—not only as the likes of laid-off executives start home businesses but also as full-time employees, needing extra income to make ends meet, begin moonlighting from their homes. In addition, more companies are allowing their employees to work at home, which might require employees to carry insurance beyond homeowners' for full protection.

PHOTO: T. MICHAEL KEZA

To cover gaps *in insurance coverage for his home-based business, photographer Mark Regan bought an endorsement for his homeowners' policy.*

Responding to some of these coverage gaps, Firemen's invented its "home enterprise policy." It costs $150 to $250 a year, depending on the extent of coverage. Firemen's came up with the idea in 1993, then it turned to the Wolf and Cohen Insurance Agency, in Vienna, Va., to develop the policy and sell it.

Marketing began in late 1993, and sales so far have been modest. But Richard White, president of Wolf and Cohen, says they should pick up as the agency taps more home businesses through such avenues as home-based-business associations. "We went to their [group] meetings, dropped off brochures, and told them about the differences between their homeowners' policies and ours."

Jaak Pesti, who sells cellular phone service in the Washington, D.C., area and plans to buy a Firemen's home-enterprise policy for $250, agrees. "It covered everything from soup to nuts," he says, "including $2 million in liability. So I called them."

The Firemen's policy partially fills in where the homeowners' policy leaves off. But it falls short of being a full-blown commercial business owners' policy—the kind most small businesses buy. With an annual premium starting at about $1,000—depending on the type of business and its location—a commercial policy can be too costly for most home businesses and can provide more protection than such small enterprises require.

For 32 eligible classes of businesses—from accounting services to barber shops, bookkeeping services, and writers—the home-enterprise policy pays up to $12,000 for the loss of business property, replaces up to a year of lost business income, provides $1 million in business liability coverage, and has $10,000 in accounts-receivable protection when customers don't pay their bills.

Firemen's is believed to be the only insurer in America providing a policy tailored strictly for home offices. Unlike Firemen's, other carriers have been slow to move toward the home-based business segment because, company executives say, there isn't enough profit in selling policies with small amounts of coverage and small premiums.

"It's not the type of business that we're looking for," says one executive. Insurers are also pressed with problems, such as regrouping after five years of heavy claims for property losses from hurricanes, floods, earthquakes, and other catastrophes.

But there is some movement toward home-office insurance by major carriers. ITT Hartford, in Connecticut, issues a

business owners' commercial policy aimed partly at the home-based business, although the company is developing a policy specifically targeting home-based consultants and other professionals.

Some other insurers approach the market by selling endorsements to their homeowners' policies to cover the home-based business.

Utica Mutual's insurance for home computers used in business affords more protection than the standard homeowners' policy. The company also is developing a "HomeBiz" homeowners' policy endorsement, which will cover property damage and liability for the home-based business and is expected to start selling this year for about $175 a year.

Kemper National Insurance Companies, of Long Grove, Ill., offers an "incidental occupancy" endorsement for low-hazard home businesses such as selling, accounting, and consulting. It wouldn't cover other endeavors regarded as more hazardous—dance schools, beauty parlors, aerobics classes, or the like. Those would be covered by a Kemper commercial policy.

Aware of the gaps in his coverage, Mark Regan, a professional photographer in Reston, Va., bought an endorsement for his homeowners' policy to guard against such perils as a studio lamp falling on a photo subject's head. He got the idea for buying business insurance from the American Society of Magazine Photographers, which recommends it to its members. Says Regan: "In this business, you're never sure what's going to happen."

About 43 million people work from their homes, and few of them realize that homeowners' policies won't provide business protection.

If a home-based business's activities involve ovens or hazardous equipment, as in light manufacturing, baking, or radial-tire repairing, no enhancement of the homeowners' policy will suffice. A commercial business owners' policy is required in these situations.

The ultimate home-business policy—a single document for everything from automobile insurance to workers' compensation (where there are employees other than the owner in the home office), as well as health coverage and liability protection—doesn't exist because of legal snags in pouring such disparate coverages into one document.

Some companies are taking steps in that direction, however. For example, State Farm Insurance Companies of Bloomington, Ill., will, when requested, issue a single bill for all of its business coverages under its monthly-payment plan, so a policyholder need deal with only one statement instead of several for several policies.

And Continental Insurance of New York City offers its "Link Plus" policy, which does combine auto and home coverage. For an additional $175, the policyholder can include Continental's "HomeWork" endorsement to cover home-based businesses.

Says Continental Vice President John Traynor: "We're identifying key areas of the country where we want to promote it. There's a growing need for it." NB

Women In Business

An organization founded by an entrepreneur helps young women see themselves in business.

By Sharon Nelton

ENTREPRENEURSHIP

Inspiring Future Business Owners

PHOTO: ©DENNIS BRACK—BLACK STAR

"Go into business" *is what Joline Godfrey, center, tells teens like Nichole Britten.*

Marie Cole, an 18-year-old with a son who is 3, never imagined she could take her talent for designing nails and turn it into a little part-time business. But she did. It's called Marie's Lovely Nails. As she recently told an audience of 70 teenage girls in the Washington, D.C., area, "Thirty dollars a day isn't bad ... when you don't have anything."

The occasion was a conference aimed at encouraging girls to consider not just becoming employees as adults but creating their own jobs and starting their own businesses. One of 10 such meetings that have been convened around the country, it was sponsored by An Income of Her Own (AIOHO), an organization based in Santa Barbara, Calif. It was hosted locally by the Washington, D.C., office of the American Woman's Economic Development Corp., a nonprofit group providing business training and counseling to women.

AIOHO was founded three years ago by Joline Godfrey, a former business owner and author of a book on women's entrepreneurship, *Our Wildest Dreams* (Harper Business). "We know that just teaching kids to do resumes and good interviews isn't enough any longer. We're really talking to them about initiating behavior," says Godfrey.

Godfrey says the conference builds awareness while other AIOHO products and services are designed to increase young women's skills and economic literacy. Among them are a business-plan competition, a summer entrepreneurship camp, a newsletter, and a board game that rewards players for making entrepreneurial choices.

Speakers at the Washington conference included established business owners like Kavelle Bajaj, of Bethesda, Md., who started I-NET Inc., a communications and information systems company, with $5,000 a decade ago. Today, the company is worth $225 million and has 2,300 employees worldwide. Explaining why she became an entrepreneur, Indian-born Bajaj said she wanted to prove "that determination and persistence can go a long way."

The teenagers also heard from very young women who, like Marie Cole, had started their own enterprises. One of them, 19-year-old Yen Nguyen, the mother of two children, had joined with other young people to start Magical Rainbow Books, which publishes multicultural coloring books. A high-school student, she had an additional message to offer: "I'm a senior this year, and, I'm telling you, it's very hard to go to school and have kids."

For information on AIOHO's program for training volunteers to conduct AIOHO conferences, or to obtain the board game ($40 plus shipping) or other products and services, call 1-800-350-2978.

Help For Teenagers

A new study by the Gallup Organization, Inc., reports that seven out of 10 high-school students say they want to start a business of their own. However, 86 percent of the 602 students polled rated themselves as very poor to fair on their knowledge of entrepreneurship and business, and 85 percent thought it was important or very important to receive entrepreneurship education in schools.

The survey provides "strong documentation of the need for and public support of entrepreneurship education for young people," says Marilyn Kourilsky, vice president of the Center for Entrepreneurial Leadership Inc. at the Ewing Marion Kauffman Foundation, in Kansas City, Mo., which funded the study.

Meanwhile, a number of organizations are trying to fill the gap. Like An Income of Her Own, the National Education Center for Women in Business (NECWB) offers programs and products aimed at girls. It sponsors summer camps in entrepreneurship and offers a 227-page book, *The Adventure to Entrepreneurship: A Journey to Self-Discovery for Young Women.*

For information, call 1-800-632-9248, or write NECWB at Seton Hill College, Greensburg, Pa. 15601-1599.

The National Foundation for Teaching Entrepreneurship to Handicapped and Disadvantaged Youth, Inc., (NFTE) is aimed at introducing inner-city youth to the fundamentals of starting and maintaining a business. NFTE will be offering a summer camp July 9-22 for inner-city teenagers from around the U.S. at Babson College in Wellesley, Mass. A parallel camp will be conducted for teachers. Contact NFTE at 64 Fulton St., Suite 700, New York, N.Y. 10038; (212) 233-1777.

ENTREPRENEURSHIP

Profiting A Nonprofit

Eight years ago, when the Rockland Family Shelter in Rockland County, N.Y., was seeking new sources of funding, the private, nonprofit agency got creative: It dreamed up a separate, for-profit business and found a savvy businesswoman, Melinda L. Little, to launch it and run it.

While it hasn't met all of its goals, The Company of Women, which sells women-oriented products through a twice-a-year catalog, is well on its way and serves as a model for other nonprofits that may want to explore "nonprofit venturing."

What that means, says Little, is "a nonprofit looking at starting a business venture as a way to generate unrestricted funding for the nonprofit."

The Company of Women, in Nyack, N.Y., mailed out its first catalog to 25,000 women in 1988. The latest mailing reached 1.6 million potential customers. Little says sales totals for 1994 should be close to $2 million, up from $1.4 million in 1993, with merchandise "celebrating women and women's achievements."

Catalog items range from T-shirts and posters with messages like "Girls Can Do Anything" to ceramic tiles, coffee mugs, and books—and even a computer mouse pad—featuring women or designed to appeal to them.

PHOTO: WAYNE SORCE

A for-profit business *headed by Melinda Little was set up to help fund a nonprofit family shelter.*

Little, The Company of Women's president and chief executive, is aiming to increase annual sales to $8 million to $10 million. "We are close to being profitable, but we're not there yet, for reasons of being very undercapitalized from the beginning," says Little, 41, a former fund-raiser with an MBA from Northwestern University. The Company of Women was launched with $25,000 in seed money from the New York Department of Social Services, and Little says the company has been "playing catch-up" ever since. Over the years, it has raised $1.1 million, primarily from private investors, and is now seeking an additional $750,000.

The shelter, which provides services to victims of domestic violence and rape, owns 64 percent of the company's stock, and Little owns most of the rest.

Ultimately, says Little, the shelter will receive dividends from the company. In the interim, the company has agreed to pay the shelter royalties totaling $250,000 over a six-year period in return for the use of the shelter's name in the catalog.

As part of its mission, The Company of Women seeks to help develop women-owned businesses by buying from them when it can. Catalog items from women-owned companies are designated with a "W."

The shelter chose to establish The Company of Women as a separate entity to avoid endangering its own nonprofit status or becoming entangled in liability issues. For any nonprofit considering setting up a profit-making venture, Little offers these suggestions:

- Be sure you have an entrepreneur who has the vision for your venture and who can see it through the obstacles it will face.
- Be realistic about how much capital you will need, and know where to get it.
- Don't be reluctant to look to the people who are funding the nonprofit to also be investors in the business.

Nurturing Your Business

Several new books and publications for or about women entrepreneurs are now available:

■ *A Compendium of National Statistics on Women-Owned Businesses in the U.S.* brings together, in a single document, virtually all the statistical information available on women's business ownership in this country. It is published by the National Women's Business Council, which was established by Congress in 1988 to review the status of women business owners and make annual policy recommendations to the president and Congress.

Included are demographic characteristics of women business owners, financing patterns among women-owned firms, and the impact of women's businesses on the economy. The statistics come from the National Foundation for Women Business Owners and from federal agencies. The compendium is available free, while supplies last, on a first-come, first-served basis, from the National Women's Business Council, 409 Third St., S.W., Suite 5850, Washington, D.C. 20024; (202) 205-3850.

■ *The Business Women's Network Directory* provides detailed profiles of the top 400 U.S. business and professional women's organizations. Available for $94.95 from The Business Women's Network, 1146 19th St., N.W., Third Floor, Washington, D.C. 20036; (202) 466-8209.

■ *The Women's Business Resource Guide* is a national directory of more than 600 programs, resources, and organizations to help women start or expand a business. Available at $21.95 postpaid from The Resource Group, P.O. Box 25505, Eugene, Ore. 97402; (503) 683-5330.

■ *Management and Gender: Issues and Attitudes* (Praeger), by Margaret Foegen Karsten, looks at such topics as a "feminist approach" to management and women's contributions to management theory. Available in paperback at $23.45 (includes shipping and handling). Call 1-800-225-5800. Ask for ISBN 0-275-94501-4. NB

Family Business

By the turn of the century, family-run companies will face greater complexities, challenges—and opportunities.

The Shape Of Things To Come

By Sharon Nelton

ENTERPRISE 2000

Richards & Conover Steel Co. is 138 years old, but the Kansas City, Mo., company could be called a family business of the future.

For the first time in its five-generation history, the company has named a woman, Martha Richards "Marty" Sawyer, 31, as its president. In doing so, the firm has turned to the youngest of three daughters. Typically, a family business awards leadership to the oldest child (usually a son, if there is one).

Like her forebears, Sawyer is committed to strategic planning and decision making. And because she is, her 140-employee company stands a better chance of surviving and thriving well into the next century.

In the 1950s, when chain and discount stores threatened what was then a hardware company, Rich-Con transformed itself into a steel-distribution business. When other steel companies folded in the 1980s, Rich-Con prospered as Marty Sawyer's father, Samuel L. Sawyer, the firm's chairman, bought assets at auction under market value and began acquiring other small steel distributors. Now Marty is positioning the company for a round of strategic planning for five to 10 years out.

In many ways, Rich-Con exemplifies the successful family businesses of the year 2000 and beyond. To get a better picture of the future, *Nation's Business* asked some of the country's leading authorities on family business what family-owned companies will be like in the new millennium. To hear them talk is to be assured that family businesses in the U.S. have the opportunity to be more successful than ever.

This is the first in a series of articles previewing the outlook for business in the year 2000. Next month's feature will be on managing.

"The family businesses that are in existence in the year 2000 will be very much strengthened and will go into the 21st century a helluva lot better than the ones that were around 50 years ago," says Léon A. Danco, a nationally known family-business consultant in Cleveland.

The challenges may be greater, however. "Managing in the next decade is not going to be for the faint of heart," warns Kathleen Wiseman, president of the Family Firm Institute, an organization of professionals who serve family businesses. "The amount of change that people are subjected to has increased dramatically, and that will continue at an ever-increasing rate," she says. This means that decisions will have to be made more quickly, and more data will have to be taken into account. Running a family business and managing "very intense relationship processes," she says, will become more complex and difficult.

Here is what else Wiseman, Danco, and others are saying about family business at the turn of the century:

Business families will be more knowledgeable about what it takes to have a successful family business. Family-business consulting pioneers Léon Danco and David Bork both note the growth of knowledge about and education of family businesses that has occurred since they began their practices more than 25 years ago.

When family-business owners approach him for help now, says Bork, of Aspen, Colo., they often know what they need to do, and "they proceed to articulate principles that were either unknown or not understood 30 years ago."

In 1963, when he first urged family-business owners to create an outside board of directors—that is, a board that would include three or four nonfamily members who were successful in other businesses—the idea was unheard of, says Danco. Now, the role of a board is accepted, and by the year 2000, he says, "people who don't want [a board] will be in the minority."

Families in business will more readily identify their companies as family businesses. Business owners often have simply failed to recognize that their companies are actually family businesses or have shunned that identity because they didn't like the images it brought to mind, such as that of a "mom-and-pop company." But Ivan Lansberg, an organizational psychologist specializing in family firms, says more and more families are seeing their companies as family businesses and are feeling good about it.

There is "more awareness of the fact that some of the best companies in the world are family businesses and take pride in it," says Lansberg, who is based in New Haven, Conn.

Family businesses will coalesce and gain political clout. Lansberg points out, for example, that a group of business

PHOTO: [illegible]—BLACK STAR

Poised for a new century *are Martha Richards Sawyer and her father, Samuel L. Sawyer, of Richards & Conover Steel in Kansas City, Mo.*

owners are launching a new organization, the American Alliance of Family Businesses, in February. Its purposes include helping to shape public policy that affects family firms.

"I wouldn't be surprised [if] within the next six years we would have a lobby in Washington for family companies that would be a forceful and powerful one," he adds.

The fact that companies like Massachusetts Mutual Life Insurance Co. are investing serious dollars to conduct and disseminate research on family business, he says, "allows a larger group of family businesses to see some of their common issues and identities."

It may be the prospect of the formation of political power that leads Bork to say,

PHOTO: AKHIS TON

Family businesses *will gain political clout by the year 2000, predicts Ivan Lansberg, an organizational psychologist in New Haven.*

"There will be changes in the tax structure that will make transfer of family businesses easier, with less-punitive, confiscatory consequences than are in force under current tax codes."

Family businesses will be run more professionally. Family members themselves are becoming better educated, according to the Family Firm Institute's Kathleen Wiseman. This means that business owners can "turn to their families for more of the human resources," says Wiseman, who also has an organizational consulting firm in Washington.

One of the many benefits of this professionalism and the accumulated knowledge about family business, says Bork, is that families in business will be "less fractious."

Changes in the nature of the family and new definitions of what a family is will have an impact. For example, notes Lansberg, the high divorce and remarriage rates result in a great number of "blended" families. This means business families must wrestle with new issues, such as whether children of second marriages have the same rights to inheritance or to work in the business as children from a first marriage.

Bork also notes that many family firms are being started by women who are single parents, which will introduce a new and still-unknown dynamic into family business.

The changes in families, Lansberg observes, "jack up a degree what's already a complicated situation to an even more complicated situation."

More family businesses will be run by women. One reason is that business owners are more inclined than in the past to choose the best-qualified heir to run the business and not just automatically anoint a son.

Another reason is that among the enormous number of businesses that have been started by women since the late 1970s—six million by some estimates—there are many that are now being turned into family businesses.

Family businesses will be more global in outlook. Ivan Lansberg foresees more joint ventures between family companies across countries and across cultures as well as joint ventures between multinational companies and family firms—particularly as the multinationals continue to downsize their operations and rely increasingly on smaller firms for products and services.

How can family-business owners prepare for the new millennium? Make time to think so that you can come up with "novel solutions to these novel situations," suggests Wiseman.

Take the long view, advises David Bork. He recently worked with a major Turkish business to create a 100-year plan, with the company's mission being to continue to be a powerful economic force in Turkey. When you take such a long view, Bork says, difficulties and "awkwardness" that may loom large in the short term can appear less significant.

Commit yourself to the idea that "this company shall continue forever," says Léon Danco. A business is not really a family business, he says, until the owner has a desire for it to continue after his or her death.

Even though she doesn't have any children yet, Rich-Con's Marty Sawyer, who last February married David Atchley, the owner of an insurance business, is following Danco's advice. When asked if she sees Rich-Con lasting another 138 years, she says, "Absolutely, positively, and another 138 years after that!"

MARK YOUR CALENDAR

Feb. 1-4, Tampa, Fla.

"Who's On Top? Gender And Power In Family Business" is a workshop to be conducted by consultants Matilde Salganicoff and Fredda Herz Brown. Call the Family Business Learning Institute of Metropolitan New York at (201) 461-7356.

Feb. 15, Chapel Hill, N.C.

"Family Business Governance" is a day-long seminar featuring John L. Ward, nationally known family-business authority and *Nation's Business* columnist. Contact John Powell, Director, North Carolina Family Business Forum, P.O. Box 2888, Burlington, N.C. 27216; (910) 226-1380.

Feb. 22, Dallas

"Bring Order Out of Chaos: Using Governance Structures To Balance the Demands of Family and Business" is a seminar of the North Texas Family Business Forum. For information on the forum, call Fadene Shirley at the Baylor University Institute for Family Business at (817) 755-2265, Ext. 5.

Feb. 24-26, Evanston, Ill.

"Psychosocial Dynamics of the Family Business" is a conference for psychologists who specialize in family-business counseling. Call Kenneth Kaye at (708) 470-9311.

Feb. 27-March 1, San Antonio

"The Entrepreneurial Spirit of Family Philanthropy" is a conference on family foundations covering such topics as management, governance, and grant making. Call Rochelle Colclough of the Council on Foundations at (202) 467-0421.

Feb. 28, Goshen, Ind.

"Smart Growth: Planning for Regeneration of Your Family Business" is a seminar featuring Ernesto J. Poza, a family-business consultant and author. For more information, call the Goshen College Family Business Program office at (219) 535-7135.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

A Disappointed Loyal Manager

Scott Campbell, 61, usually discounts gossip, but today's rumor may be true. It could affect him, his family, and their financial future.

When Scott was 48, his good friend Bill Epson, then 51, hired him as the lead graphic designer in Epson Advertising, the firm that Bill had just founded. Together they built the company into one of the best in the business, with Bill's wife, Jean, keeping the books, and his daughters, Jill and Karen, working in layout and production.

"Bill and Jean and their daughters have always treated me as if I were a member of their family," Scott says. Other nonfamily employees, he believes, have always considered Scott a partner. Although it was never directly promised to Scott, Bill implied he would get equity in the firm. Scott never had a reason to doubt Bill's intent and consequently never pressed him to formalize an agreement. He just assumed it would happen in due time.

Today, however, when Scott inadvertently heard Jill telling a friend on the telephone that her dad had received an offer from a major competitor to buy the firm, Scott's heart almost stopped. Jill said her parents were tired, had plenty of money to do whatever they wanted, and had decided to accept the offer.

"I know Bill has been tired and has been thinking about retiring," says Scott, "but I still can't believe he would sell the firm and not include me in the discussions. After all, I have essentially been managing the firm for the last three years."

Scott decided to confront Bill directly. After some reluctance, Bill acknowledged that he was accepting the offer but would not share the details. When Scott inquired about his equity, Bill hedged. "After all, it is my firm," he said. Now, Scott asks himself, "What do I do next?"

ILLUSTRATION: DAVID CHEN

This Tragedy Was Avoidable

Two things inevitably spell trouble in a family business: assumptions and false agreements. Both are culprits here. Expectations regarding critical matters of ownership and authority in decision making were never clarified. Assumptions result when people take it for granted that how they see things is how everyone else sees them. False agreement results when fear of conflict leads to an appearance of agreement.

PHOTO: ©JOHN ZICH

Edwin A. Hoover, president of LSi Resource for Family Business Management, in Oakbrook Terrace, Ill.

Scott has three options:

- There may still be time to ask Bill for the right of first refusal to purchase the company at the same price as the competitor.
- He can lean on Bill to include an employment contract for him in the sale agreement.
- He can propose a goodwill severance arrangement, arguing that years of dedication deserve reward—financial, if not ownership.

This situation exemplifies a tragedy that could have been prevented. Anyone in a family business should commit to the idea that the future is too important to relegate to assumptions and false agreements. It's crucial to enlist the understanding and support of those whose futures are intertwined with yours. Usually, appealing to the logic of self-interest will be sufficient. Bill's self-interest in Scott's talents and Scott's in ownership could have been negotiated to win-win in the early days, if discussed openly.

While negotiating and formalizing expectations may seem impersonal and uncaring, doing so actually conveys a deep regard for both family and business.

Last, for the sake of long-term success, an owner and a key manager should agree that getting assumptions on the table and avoiding false agreements are obligations, not options.

Assess Value To The Buyer

Scott must quickly and objectively assess his value to the business and to the purchaser. Has he really been the firm's manager in the true sense for the past three years, or is this just his self-perception? He also must assess what would happen to the sale if he were to resign from the business.

He should confront Bill with his view of his entitlement. If Bill disagrees, then, because of the historical family friendship, he should explain his position to Jean, Jill, and Karen. This meeting should also include Bill. If there is no resolution, Scott must arrange a meeting with the purchaser.

PHOTO: ©JOHN HARQUAIL

Michael G. Shulman, a consultant to family businesses in the succession and strategic-planning processes, in Toronto.

If Scott has indeed been the manager, then presumably he has important value to the business. He may be able to arrange a future equity for himself with the new owner. Depending on the buyer's perception of Scott's value to the business, Scott may be able to negotiate a portion of the sale proceeds for himself. His discussion with the purchaser may foster a renegotiation of the purchase agreements that will benefit Scott.

If these steps are not successful, Scott must then accept his reality. He may be in a position to continue as the manager. If not, he should consider two alternatives: setting up his own firm, perhaps with some existing employees, or evaluating his worth to a competitor.

Scott probably has no legal options. There does not appear to be any evidence of a formal partnership, and, by Scott's own admission, Bill had never actually promised equity.

Scott has learned an important lesson late in his career. In business, it is necessary to have clear understanding. Equity arrangements are never to be assumed; they must be in writing.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Georgann Crosby, a consulting partner in the Family-Business Roundtable, a consulting organization in Phoenix. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute.

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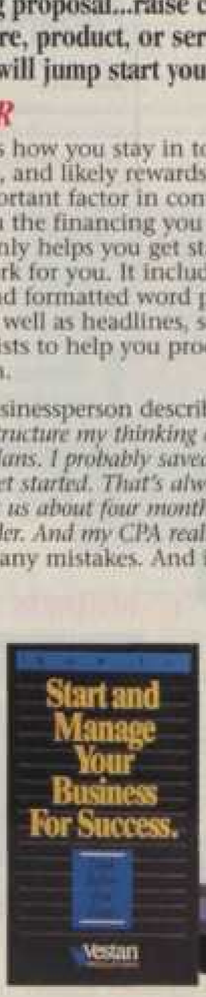

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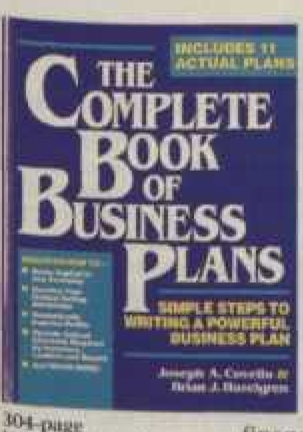

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In addition to providing immediately useful information to readers, we also make a special effort in our editorial content to alert them to additional resources that will help them improve productivity and profit. These resources include the type of products and programs described on these pages.

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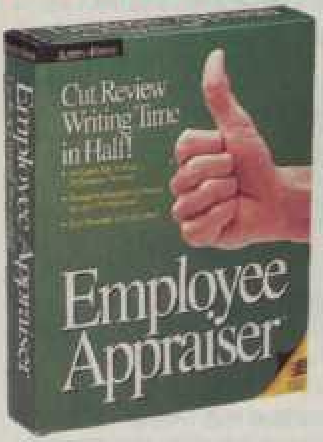

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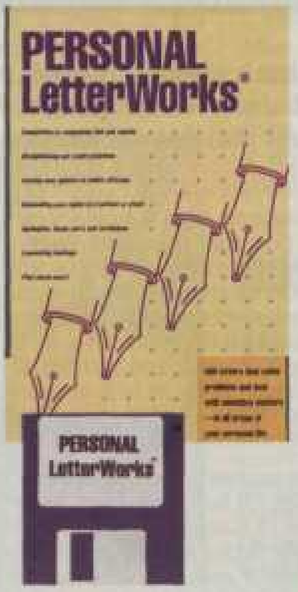

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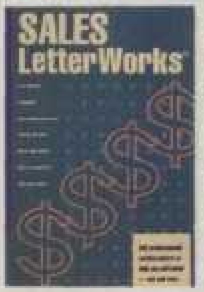

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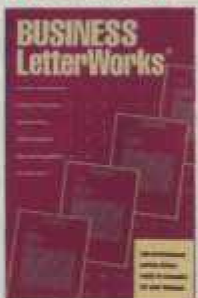

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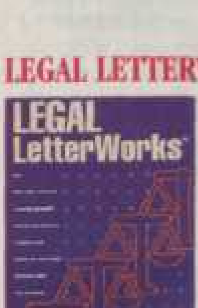

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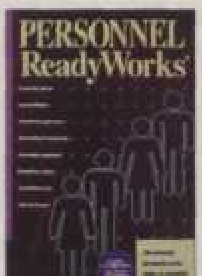

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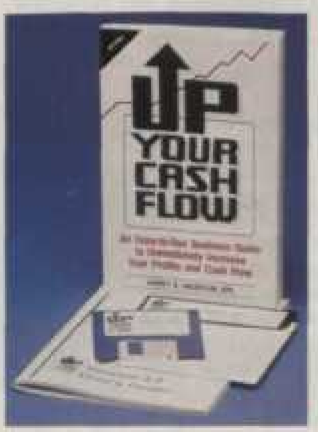

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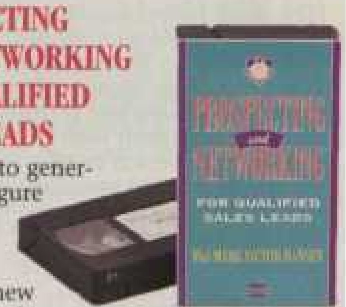

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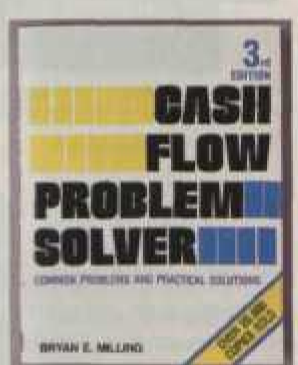

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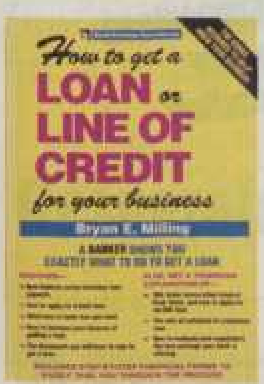

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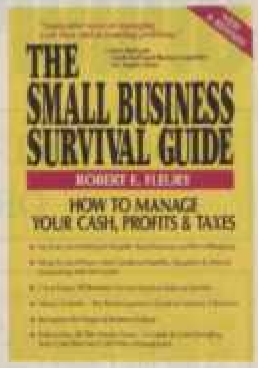

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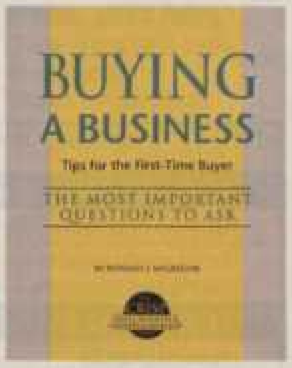

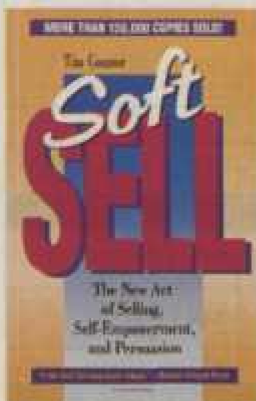

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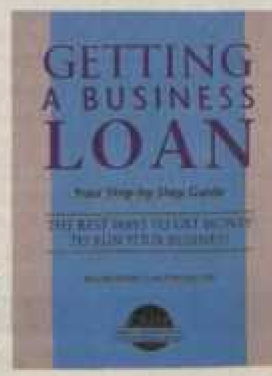

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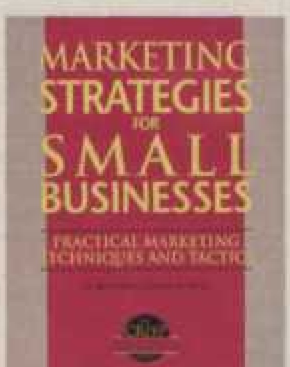

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	MARKETING KNOW-HOW			
	Publicity*Builder* ☐ DOS 5-1/4 ☐ DOS 3-1/2 ☐ Windows 3-1/2 ☐ MAC	$99.00	$6.00	
	Power Marketing Through Direct Mail	$69.95	$6.00	
	MONEY MANAGEMENT			
	Up Your Cash Flow ☐ IBM 5-1/4 ☐ IBM 3-1/2	$89.95	$6.00	
	Finance for Non-Financial Professionals	$249.95	$6.00	
	Cash Flow Problem Solver	$32.95	$4.00	
	SALES BUILDERS			
	38 Proven Ways to Close That Sale	$79.95	$6.00	
	Prospecting and Networking For Qualified Sales Leads	$79.95	$6.00	
	SMALL BUSINESS BOOKS			
	How to Get a Loan or Line of Credit	$17.95	$4.00	
	Buying a Business	$15.95	$4.00	
	Big Ideas for Small Service Businesses	$15.95	$4.00	
	Marketing Strategies for Small Business	$15.95	$4.00	
	Small Business Survival Guide	$29.95	$4.00	
	Soft Sell	$19.95	$4.00	
	Getting a Business Loan	$15.95	$4.00	
	100 Ways to Cut Legal Fees and Manage Your Lawyer	$10.95	$2.00	

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Small Business Financial Adviser

Investors begin the new year on edge; estate-tax legislation; tax advantages of ESOPs.

Desperately Seeking Safety

By Randy Myers

After enjoying steady growth for three straight years, investors took it on the chin in 1994 as rising interest rates squashed the bull market in stocks and bonds. The average U.S.-stock mutual fund tracked by Lipper Analytical Services Inc. declined 1.67 percent last year, while the average taxable U.S. bond fund fell 3.26 percent. (See chart.) Many foreign-stock funds and individual bond issues did far worse.

It was the first time in two decades that stocks and bonds (which fall in price as interest rates rise) turned in a negative performance in the same year.

Not surprisingly, investors entered 1995 on edge. Although net inflows to stock mutual funds remained positive as 1994 wound to a close, investors fled bond funds en masse, creating a record outflow of $10.9 billion in November, according to the Investment Company Institute, a trade group in Washington, D.C..

Where did all the bond money go? Much of it likely was converted to cash and put into short-term instruments such as money market funds, which were yielding returns above 5 percent by year-end, and bank certificates of deposit yielding as much as 7.5 percent.

Timing The Bond Market

The timing may have been bad, though. Many forecasters argue that the worst is over for the bond market. This guarded optimism reflects the view that the Federal Reserve Board will succeed in slowing the booming economy, which grew at about a 4 percent pace during the final months of last year, by continuing a bit longer with its program of raising short-term interest rates. (The Fed raised short-term rates six times in 1994.) That would allow the Fed to move to the sidelines by midyear.

If that happens, long-term interest rates, which surged by almost 1½ percentage points in 1994 to just under 8 percent, should peak at no more than 8.5 percent by midyear. Afterward, according to many investment professionals, long-term rates will level off or decline.

"Interest rates won't go up as much as people anticipate," says Ron Baron, manager of the Baron Asset Fund. In fact, he says, "they'll probably go down, and they'll probably do it sooner rather than later."

If rates do start to fall, investors can be expected to push back into the bond market to lock in higher rates for longer periods of time than money market funds or CDs can offer them.

The consequent advice of most investment pros: Buy short-term and intermediate-term bonds, mostly Treasuries, during the first half of the year, but be prepared to lock in yields above 8 percent in long-term bonds once rates peak around midyear. Avoid corporate bonds, especially high-yield "junk bonds." If the economy slows too much, their credit ratings will tumble, and so will their prices.

Bears Prowl Wall Street

While the worst may be over for the bond market, the same may not be true for the stock market. At the end of 1994, fully 50 percent of the investment advisers surveyed by Investors Intelligence of New Rochelle, N.Y., were bearish on stocks, up from 39.4 percent a year earlier.

The Dow Jones Industrial Average rose 2.1 percent last year, to 3834.44, but the strength of the blue chip indicator masked a far weaker performance by the market as a whole. The Standard & Poor's 500, a broader big-stock index, fell 1.5 percent, and the Russell 2000, a widely followed

Performance By Mutual Fund Category

With Dividends Reinvested Through Dec. 31

Type Of Fund	4th Quarter	1994	Five Years
	(Figures Are Percentages)		
GENERAL STOCK FUNDS			
Capital-appreciation funds	-1.77	-3.38	54.54
Growth funds	-1.33	-2.15	53.00
Midsize-company funds	-0.91	-2.05	78.14
Small-company growth funds	-0.27	-0.73	78.58
Growth and income funds	-1.57	-0.94	49.80
S&P 500 objective funds	-0.06	0.91	47.84
Equity income funds	-2.56	-2.42	42.87
General Stock Funds Average	-1.28	-1.67	55.69
Health/biotechnology funds	-0.79	4.26	98.62
Natural-resources funds	-7.18	-4.20	13.58
Environmental funds	-5.04	-10.50	6.79
Science and technology funds	4.20	10.59	123.85
Specialty/miscellaneous funds	-3.57	-2.29	66.26
Utility funds	-1.10	-8.99	37.53
Financial-services funds	-5.88	-2.69	105.72
Real-estate funds	-0.06	-3.05	41.51
Gold-oriented funds	-14.36	-12.32	1.34
Global funds	-4.54	-3.03	34.17
Global small-company funds	-4.19	-2.96	44.85
International funds	-4.05	-0.71	31.14
International small-company funds	-6.54	-4.09	22.51
European region funds	-1.15	1.22	22.61
Pacific region funds	-9.02	-12.08	38.42
Emerging-markets funds	-13.36	-9.57	66.21
Japanese funds	-3.25	15.39	-19.37
Latin American funds	-23.92	-14.24	n.a.
Canadian funds	-10.82	-12.90	5.92
World Stock Funds Average	-6.40	-3.87	24.95
All Stock Funds Average	-2.55	-2.25	51.90
Flexible portfolio funds	-0.99	-2.65	49.18
Global flexible portfolio funds	-2.70	-4.68	35.17
Balanced funds	-1.10	-2.52	48.03
Balanced-target maturity funds	-0.03	-4.99	40.97
Convertible-securities funds	-2.84	-3.79	57.09
Income funds	-1.45	-2.92	47.06
World income [bond] funds	-1.69	-5.52	45.15
Fixed income [bond] funds	-0.22	-3.26	42.70
Average Of Taxable Stock And Bond Funds	-1.68	-2.76	48.81

SOURCE: LIPPER ANALYTICAL SERVICES INC.

small-stock barometer, declined 3.2 percent.

Some narrow sectors of the market posted truly stunning losses. Latin American stock funds fell a whopping 14.2 percent, with all of the decline squeezed into the final weeks of 1994 following the devaluation of the Mexican peso. Other fund categories posting double-digit declines included those focused on Pacific Rim countries, excluding Japan; Canada; gold stocks; and environmental shares. (See the chart.)

The top-performing funds were those invested in Japanese securities (up an average of 15.4 percent) and science and technology issues (up an average of 10.6 percent).

Despite 1994's lackluster performance, some experts believe the U.S. stock market is still overvalued and still overdue for a correction of 10 percent or more.

The Consensus View

Most analysts take a more sanguine view: that we'll avoid a recession, that U.S. corporate profits will rise a healthy 16 percent (compared with 21.5 percent in 1994, according to Chicago-based Zacks Investment Research), and that interest rates will stabilize near their current levels by midyear and then trend lower. Altogether, that should improve investor confidence in the second half.

"The stock market reminds me of a supertanker where the engines have been shut off," observes Richard Weiss, manager of the Strong Common Stock Fund. "It's still kind of coasting ahead, but there's really nothing behind it to sustain a major advance. If inflation gets bad, I suspect we have a market that could fall into the low 3000s [as measured by the Dow Jones Industrial Average]. If inflation doesn't get particularly bad, and it's just a matter of the economy slowing, then you could have a market that treads water."

If you agree that the Fed's actions are likely to slow but not stymie the economy, investment strategists suggest you shift more of your portfolio into growth stocks—those of companies in recession-resistant businesses that should be able to sustain earnings growth in spite of adverse business conditions. Many investors had already begun to do so by the latter part of 1994, allowing noncyclical firms such as drug retailers, footwear manufacturers, and cosmetics companies to post some of the market's best gains.

If you want to follow trends, consider Japanese stock funds and technology stocks, but with two caveats. First, Japan's market isn't the market it was at the beginning of last year. Japanese stocks rose 23.7 percent in the first half of 1994 but lost 15 percent in the second half. Second, while technology will remain a driving force in the world's economy for years to come, it changes so rapidly that a diversified tech-stock portfolio is absolutely essential. If you can't swing that on your own, stick to a mutual fund that specializes in technology shares.

You might also look for bargains in exactly those sectors of the market that were beaten down the most in 1994, such as home construction (the worst performing Dow Jones industry group last year, down 32.6 percent in price) and electric utilities (down 18 percent).

Home builders and utilities both suffer when interest rates rise, the former because they tend to be heavy borrowers and the latter because many of their customers get priced out of the mortgage market. But home builders could rebound in 1995 if, as many observers expect, long-term bond rates ease later this year. And utility companies may be in better shape than pessimists imagine, says Mark Lieb, manager of the Regis Sami Preferred Stock Income Fund, since many refinanced much of their debt in 1993, before last year's interest-rate explosion.

You might also consider stocks involving health care and household durables, companies that will do reasonably well even if the economy declines.

The bottom line for most investors? Stay with stocks in 1995, but at modest levels and primarily with a diversified portfolio of companies that will do reasonably well even if the economy declines. Overall, a reasonable asset mix might be 45 percent stocks, 35 percent bonds, and 20 percent cash. But be sure to re-evaluate your positions no later than midyear. If inflation should surge unexpectedly—say above 3.5 percent as measured by the Consumer Price Index—then the Fed would likely boost interest rates more than expected and produce yet another disappointing year for both stocks and bonds. ■

Stock Performance In The Fourth Quarter

Industry Group	Change In Value Oct. 1 To Dec. 31 (Figures Are Percentages)	Industry Group	Change In Value Oct. 1 To Dec. 31 (Figures Are Percentages)
Business data processing	8.4	Housewares, furnishings	-3.6
Shoes, leather	7.5	Freight, shipping	-3.6
Recreation–movies, sports	6.9	Railroads	-3.6
Cosmetics–personal	4.4	Real-estate investing	-3.9
Drug manufacturers	3.8	Business services	-4.4
Food–packaged goods	3.3	Machinery–light equipment	-4.4
Electrical equipment	3.3	Business equipment	-4.5
Food–confections	2.7	Credit	-4.6
Aerospace	2.7	Metals fabrication	-5.2
Utilities–electric	1.9	Recreation–luxury	-5.2
Publishing	1.7	AMEX Index	-5.5
Electronics	1.5	Real estate	-6.4
Oil, refining, marketing	1.4	Textiles–apparel	-6.7
Insurance	0.6	Investments	-6.8
Rubber, plastic	0.0	Paper, packaging	-6.9
S&P Industrial Index	-0.1	Building	-7.2
Dow Jones Industrial Index	-0.2	Oil, natural-gas services	-7.2
S&P 500 Index	-0.7	Banking	-7.3
Retail–Miscellaneous	-0.9	Airlines	-7.5
Multi-industry	-1.2	Personal services	-7.5
Oil, natural-gas production	-1.2	Communications	-7.5
NASDAQ Index	-1.6	Hotels, motels, restaurants	-8.1
NYSE Index	-1.8	Tobacco	-8.6
Retail–food stores	-2.1	Metals–nonferrous, coal	-8.8
Machinery–heavy	-2.1	Chemicals	-8.9
Automotive	-2.1	Food production	-9.6
Precision instruments	-2.1	Retail–discount, drugs	-9.6
Food–meats, dairy	-2.5	Metals–rare	-10.5
Textile manufacturing	-2.6	Retail–apparel	-10.6
Health	-2.7	Metals–iron, steel	-10.8
Distillers–brewers	-2.9	Savings and loans	-12.3
Media General Stock Index	-3.1	Recreation–broadcasting	-15.4
Retail–department stores	-3.3	Building–heavy	-21.7
Utilities–gas, other	-3.6		

SOURCE: MEDIA GENERAL FINANCIAL SERVICES

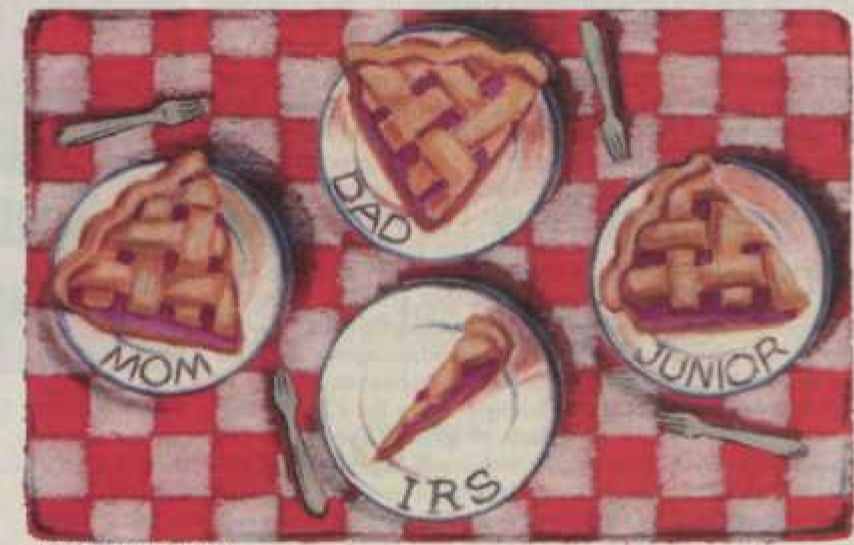
LEGISLATION

Cutting Estate Taxes For Family Firms

Small-business advocates on Capitol Hill are optimistic that the new Republican majority will engineer cuts in federal estate taxes on family-owned firms.

In mid-January, at least three plans for cutting estate taxes were under discussion, with business groups and family-business owners leading the push. Business has long complained that family members often are forced to sell their company's assets to pay federal estate taxes.

One of the tax-cut plans, contained in the House Republicans' Contract With America—the group's legislative agenda for the first 100 days of the 104th Congress—would boost the unified estate-tax credit to $700,000 in 1996 from its current level of $600,000. In 1997 the level would rise to $725,000, and in 1998 it would climb to $750,000. The credit would then be indexed for inflation to keep the amount exempted from eroding over time.



ILLUSTRATIONS: GEORGIA MCDONALD

The unified estate-tax credit allows a taxpayer to transfer to his or her heirs up to $600,000 (or $1.2 million per couple) worth of property tax-free during that taxpayer's lifetime or at death.

Currently, the amount of an estate valued over $600,000 is subject to a graduated federal tax of 37 percent to 55 percent. The 55 percent rate applies to the portion of an estate's value above $3 million.

Republican Rep. Bill Archer of Texas, the new chairman of the tax-writing House Ways and Means Committee, strongly supports the GOP contract plan.

A more sweeping change is under consideration in Congress by Reps. Jim McCrery, R-La., a member of the Ways and Means Committee, and Bill Brewster, D-Okla. Last year the two introduced the Family Business Preservation Act, which would have eliminated the graduated estate tax of up to 55 percent and established a flat tax rate of 15 percent.

To take advantage of the cut, which would apply only to the family-business portion of an estate, the heirs would have to continue to run the firm after the founder's death. McCrery and Brewster are expected to reintroduce a similar measure early this year.

Also being pushed by family-business lobbyists is a proposal to exclude from federal estate tax the family-business portion of an estate. Under such a proposal, everything in the estate except the family business would be taxed at current estate-tax rates.

While the outcome of this tax-reform push is uncertain, it is already clear that family-business supporters have their best prospects in years for cuts in the federal estate tax.

—Joan C. Szabo

FINANCE

Raising Capital By Going "Private"

Need money to start a business or expand an existing one? Consider selling stock in your company through a "private offering" limited to investors residing in your state.

Unlike a public stock offering, which involves complex and costly steps for complying with federal Securities and Exchange Commission (SEC) regulations, an intrastate private offering is designed to minimize paperwork and costs. You must comply only with your state's securities rules and regulations. These can be far less complicated than the federal regulations, especially if the offering is under a certain dollar amount, or is limited to a small group of investors, or both.

"Selling your stock this way can raise capital at a relatively low cost without a lot of government regulations," says attorney Patrick Allen, a member of the Washington, D.C., law firm of Freer & McGarry.

In Maryland, for example, if the offering is for no more than $100,000 worth of stock, there's no requirement to comply with the state's securities laws involving disclosure—describing the company and its backers. "You only have to abide by state and federal anti-fraud rules," says attorney Karl Ecker, with Shulman, Rogers, Gandal, Pordy and Ecker, in Rockville, Md.

Unlike other types of private offerings, intrastate offerings do not require that investors qualify as "accredited investors" under SEC rules. An accredited investor typically is someone with a net worth of more than $1 million or annual income over $200,000. The presumption is that these individuals have enough financial savvy to judge the merits of a stock offering.

Despite the relative simplicity of intrastate private offerings, there are some significant requirements. Chief among them is that all of the investors must reside in the state where the business is located. "Investors must sign a special form that attests to the fact that they reside in the state, and that they have read all the required information provided by the issuing company," says James B. Arkebauer, president of Venture Associates, a Denver-based investment banking firm, and co-author of *The Entrepreneur's Guide to Going Public* (Upstart Publishing).

If you offer your stock to someone outside the state, your offering would then fall under federal regulations. Selling a single share to an out-of-state resident may result in having the private offering voided for violation of SEC rules.

Although intrastate private offerings can save time and money, they still require the guidance of an experienced attorney. And don't forget, Allen says, that "you'll need a good business plan, one that will catch a prospective investor's imagination."

—Peter Weaver

TAX PLANNING

Sell The Business To Your Employees

Business owners getting ready for retirement and thinking of selling the business shouldn't overlook employees as potential buyers. The tax advantages of selling to employees make this approach especially attractive.

Owners often neglect to think of their workers as prospective buyers, assuming they won't have the necessary funds. Nevertheless, a leveraged Employee Stock Ownership Plan (ESOP) may provide an ideal solution, allowing an ESOP to purchase the stock of the company for the benefit of the employees.

Generally, an ESOP is a qualified plan designed to invest primarily in the stock of the employer; its tax advantages include deductibility of contributions to the plan and exemption of its income. An ESOP is available to C corporations but not to S corporations.

A leveraged ESOP generally works by having the company guarantee a bank loan to the ESOP. The employees put up no money of their own. The loan is used by the ESOP to purchase stock from the company owner. In future years, the corporation may make contributions to the ESOP and pay dividends in an amount necessary for the ESOP to pay the principal and interest on the loan.

Contributions to pay interest on the loan are fully deductible, and contributions to pay principal are deductible up to 25 percent of payroll.

Also, if dividends paid to the ESOP are either applied to loan payments or passed through to the employee participants within 90 days after the year of payment, they are also deductible by the corporation.

The ESOP holds the stock for the benefit of the employees. If the company prospers and the value of the stock increases, the employees will ultimately share in the appreciation when they sell their shares to the ESOP upon departing the firm.

One of the biggest advantages of using an ESOP for a sale by a company owner is attainable in cases where the ESOP (after the sale) owns at least 30 percent of the company. In such cases, the owner can roll the proceeds over tax-free–within one year of the sale–into marketable U.S. stocks and

ILLUSTRATION: GEORGIA MCDONALD

other securities. The owner would pay no tax on the sale, and the capital gain is deferred until the replacement securities are sold.

—Albert B. Ellentuck

RETIREMENT

401(k) Providers Wooing Small-Business Owners

Competition in the small-business 401(k) market is intensifying, and companies must be careful in choosing a plan—by keeping an eye on the services provided and the fees charged.

Many of the big mutual funds, insurance companies, and brokerage firms, as well as some banks, have recently launched 401(k) plans designed for companies with fewer than 100 employees.

"The growth in new-plan formations these days is in the small-business field," says Robert Eichel, vice president for retirement-plan services with Legg Mason, a Baltimore-based brokerage firm.

Since 1988, the number of small businesses offering these plans has more than doubled, from 82,000 to 180,000, and rapid growth is expected to continue. (See chart.)

Access Research, a pension consulting firm in North Windsor, Conn., says 401(k) plans are offered by only 17 percent of companies with fewer than 100 workers and by only 9 percent of firms with fewer than 50 workers.

Why the big push to sign up small businesses? Most large and medium-sized companies already have set up these plans, so the pursuit of small businesses is the next logical thing to do. But more important, computer technology has driven down administrative costs to a level that's affordable for more small businesses.

Plans designed for small firms typically offer "bundled" services, meaning the sponsor provides record keeping, investment management, and employee education.

Growth In Small-Company 401(k) Retirement Plans

	Small-Business Sponsors	Participants	Assets
1998 (projection)	290,000	3.25 million	$125 billion
1993	180,000	2.55 million	$50 billion
1988	82,000	980,000	$12 billion

CHART: GEORGIA MCDONALD

"We offer a specially designed, full-service plan for small businesses," says Ed Ryan, a vice president with Mass Mutual Insurance Co., based in Springfield, Mass. "We've found that management wants it done by one company with one phone call to handle all aspects of the plan."

Before settling on a particular "bundled" plan, companies should examine closely all the fees that would be assessed, advises Jim Gately, senior vice president of the Vanguard Group, a mutual-fund company based in Valley Forge, Pa. Watch out, he says, "for providers that have low administrative and record-keeping fees and very high investment-management fees."

Over the long run, investment fees can multiply. "As assets accumulate," he notes, "the investment-management fees begin to seriously eat into your ultimate payout of benefits."

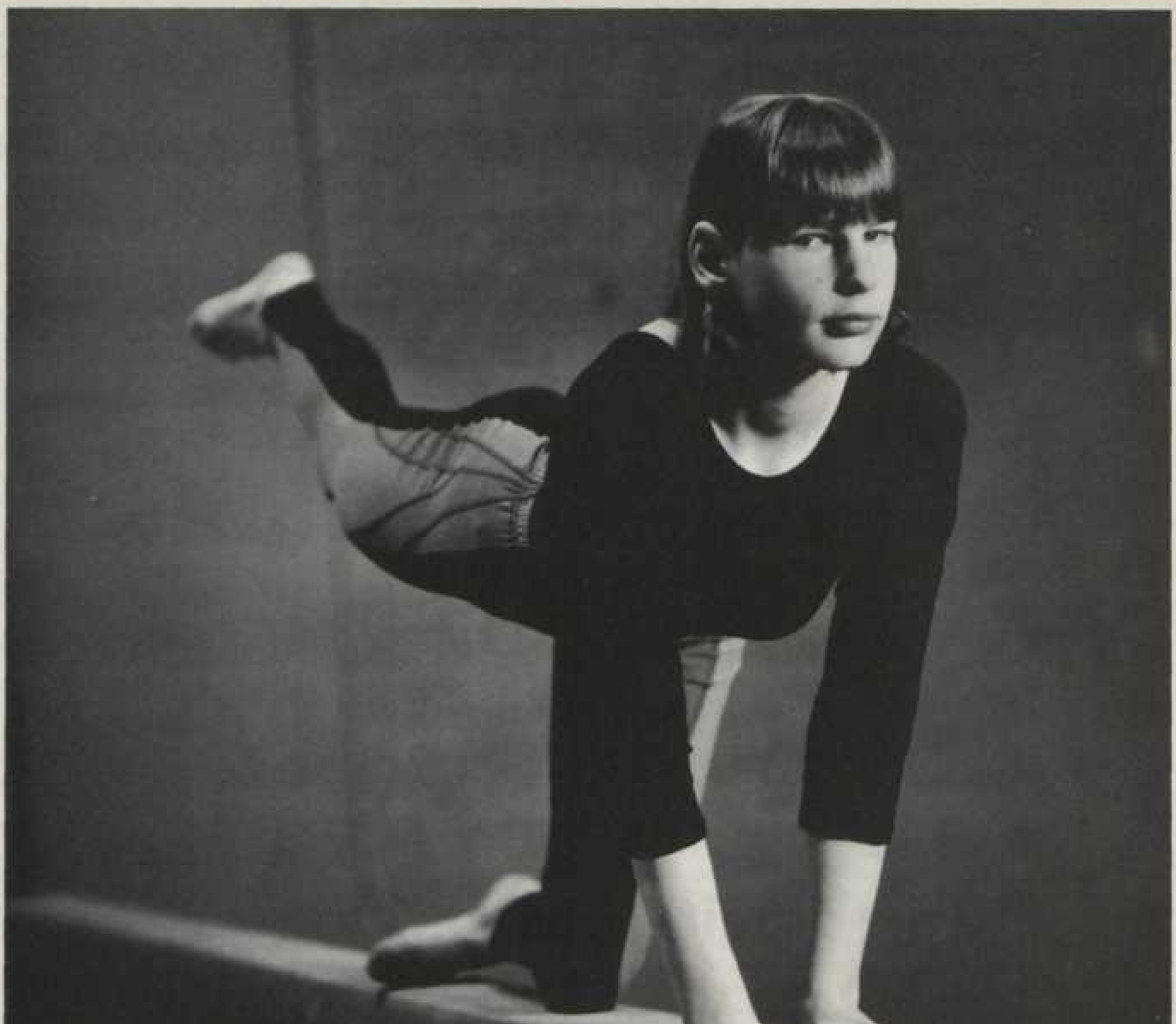
Sydney A. Abel, owner of WRCY-FM, a small country-music station in Manassas, Va., suggests checking references before buying a plan. "When you're looking over 401(k) proposals," Abel says, "get some names of small businesses the company has worked with, and ask the referral sources what kind of employee-education service they've been getting."

You also want to know if the provider has enough diversified investment options to choose from.

"There are a lot of people out there soliciting 401(k) business," says Abel, "so you need to check plan proposals to make sure they have the kind of personal services your employees are going to need."

—Peter Weaver

For a reprint of Small Business Financial Adviser, see Page 74. For a fax copy, see Page 49.



Page Vedrani, Special Olympics Gymnast

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Meredith Gould

Power Napping

It's not even noon, but you can't keep your eyes open another second. Now the hard, polished surface of the conference table looks like the perfect resting place. In fact, you'd trade anything for a short nap.

If you feel sleepy during your busy work day, you're not alone. According to a 1992 report by the National Commission on Sleep Disorders Research, which was created by Congress in 1989, Americans in general are grossly sleep-deprived. Most of them get 20 percent less sleep than people did 100 years ago, the commission's report says.

The cost of this national need for shut-eye is staggering. The commission estimated that in 1990 the cost of accidents, lost productivity, and poor decision making related to sleepiness was $15.9 billion.

PHOTO: T. MICHAEL KEZA

A nap *of 10 or 15 minutes a day can rejuvenate you and increase your productivity, doctors say.*

In a January 1994 survey conducted by the Better Sleep Council, a nonprofit organization supported by the bedding industry, one in five adults surveyed said they have at some time called in sick or have showed up late for work because they didn't sleep well the night before.

This national sleep deficit could be easily reduced if exhausted employees and employers alike simply napped once a day. But napping still bears a heavy social stigma in our highly productive, fast-paced society.

"It's associated with laziness because we don't put a very high value on sleep," explains Andrea Herman, director of the Better Sleep Council, based in Alexandria, Va. The group wants to restore sleep to its rightful place in what it calls the triumvirate of health—eating properly, exercising regularly, and sleeping well.

Nightly sleep requirements vary among adults, but 7 to 10 hours is the norm. During that time, the body moves in and out of physically healing NREM (nonrapid eye movement) sleep in cycles of about 90 minutes. This is when the body's metabolism slows down enough to permit repair of the daily wear and tear on the whole system.

Roughly a fifth of slumber time is spent in REM (rapid eye movement) sleep, or dreamland, where a lot of psychological healing is accomplished. Interruption or shortening of either sleep cycle intensifies the midday sleepiness already determined by the body's circadian rhythms, which set sleep and other physiological patterns.

The midday slump, say researchers at the Institute for Circadian Physiology, in Cambridge, Mass., is totally natural and has virtually nothing to do with lunchtime dietary indiscretions. People who rise and shine around 7 o'clock usually conk out between 2 and 4 in the afternoon. Earlier risers start dragging at noon and don't perk up until 2 o'clock. But because the slump is exacerbated by sleep debt, some doctors are becoming strong advocates of napping.

Dr. Jeffrey Migdow, who practices holistic medicine and directs yoga programs at the Kripalu Center for Yoga and Health, in Lenox, Mass., says napping has a venerable tradition. Ancient yogis, having discovered how napping relieved stress on the nervous and immune systems, built 20 to 30 minutes of it into their daily practices.

"In 10 to 15 minutes, today's business person can get the same benefits," Migdow says. "The body is a very resilient system that doesn't need much more than that to rejuvenate. If you take time to turn the nervous system off, the whole system recharges."

Dr. Karl Doghramji, director of the Sleep Disorders Center at Thomas Jefferson University Hospital, in Philadelphia, recommends naps only for people who suffer sleep deprivation, not for sufferers of sleep disorders such as sleep apnea, in which breathing stops temporarily, or narcolepsy, a frequent and uncontrollable desire for sleep. "I do not recommend napping, in fact I forbid it, for people who are insomniacs, or who have a weak sleep drive," he cautions. "If you're getting eight hours of sleep at night and still need a daily nap, then something else might be going on in your sleep that needs medical attention."

If you're not getting eight hours of sleep and suspect a daytime snooze might boost your creativity, productivity, and mood, here's how to make it work:

- To avoid disrupting your circadian rhythms, schedule your nap about eight hours after waking and eight hours before bedding down for the night.
- Create a routine that includes napping even on days you don't feel particularly tired.
- Lie down to nap if possible—it's the optimal position.
- Close your office door and turn off your phone so you don't subliminally worry about being disturbed.
- Take a minute for some slow, deep breaths before hunkering down. These will help your body relax into sleep.
- After you wake up, take a minute to reorient yourself by taking a few more deep breaths and stretching. Don't kick into gear too abruptly. Such a shock to the nervous system undermines the wonderful benefits of napping. NB

Meredith Gould is a free-lance writer in Princeton, N.J., who writes frequently about health and relationships.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

PUBLIC RELATIONS

Spreading The Word

My husband and I own and run a small gift-basket business. We are deeply involved in community events and would

ILLUSTRATIONS: MARTHA VAUGHAN

like to get our story out to the local—and maybe national—media. Where can we learn how to do that?
U.T., Glasgow, Ky.

The Art of Self Promotion, a quarterly newsletter, encourages small-business owners to consider publicity as a cumulative effort. The newsletter is put out by Ilise Benun, a publicist in Hoboken, N.J. "Publicity is a process, and like all valuable marketing tools, it takes time," says Benun, and with that in mind, she suggests seven types of publicity to consider:

■ A reference list accompanying a newsletter, book, or magazine article. Contact editors and writers and offer your business as a source of further information for readers.

■ A publication's calendar of events. Contact editors and ask that your company's events be included.

■ A how-to list of tips related to your area of expertise. Furnish the list to publications and other media outlets.

■ An article or profile on your company.

■ An article on a broader topic that mentions your company.

■ An article on your area of expertise that is written by you or a member of your staff.

■ A letter to the editor written by you or a member of your staff.

For information on *The Art of Self Promotion*, write Ilise Benun at P.O. Box 23, Hoboken, N.J. 07030; or call (201) 653-0783.

Other sources include *Six Steps to Free Publicity*, by Marcia Yudnik. It focuses on low-cost ways for small-business owners to improve their marketing. The book, priced at $11.95, is available in most bookstores, or it can be ordered from Marcia Yudnik at P.O. Box 1310, Boston, Mass. 02117.

There is also *The Zen of Hype: Creative Tactics for Anyone With a Business, Product, or Talent to Promote*, written by Raleigh Pinskey. The book contains the basics of public relations and is available at most bookstores. The price is $10.95.

For more information, write Raleigh Pinskey at 1223 Wilshire Blvd., Santa Monica, Calif. 90403; or call (310) 998-0055. ■

PUBLISHING

Getting It In Print

I have written a book based on some of my experiences as a small-business owner. How do I get it published?
M.P., Sacramento, Calif.

Marie Kiefer's *Book Publishing Resource Guide* (Ad-Lib Publications) offers suggestions on preparing a manuscript and presenting the work to a publisher. Included are tips on writing a cover letter. A comprehensive list groups publishers on the basis of field of specialty, geographic region, and whether they produce books, magazines, or newspapers. The list also gives details on what the publishers look for in submitted work.

To order a copy, send $25, plus $4.50 for shipping, to Ad-Lib Publications, 51½ W. Adams St., Fairfield, Iowa 52556. For more information, call (515) 472-6617.

Another source of information on publishing is Ronald Ted Smith's *Book Publishing Encyclopedia* (BookWorld Press). The author is president of BookWorld Services, a book distributor based in Sarasota, Fla. The encyclopedia covers what is involved in taking an original manuscript through the publishing process. Included are sections on promotion tips, advertising ideas, and resources for more information.

The book costs $12.95 and is available at most bookstores or by calling 1-800-444-2524. Refer to ISBN No. 1-884962-009. ■

SECURITY

Preventing Check Fraud

As a retailer with a small chain of shoe stores in the Midwest, I need information on how to minimize losses from fraudulent checks.
W.R., South Bend, Ind.

The American Bankers Association, in Washington, D.C., uncovered close to a million instances of check fraud in 1993.

"Check fraud is often viewed as a 'victimless crime,'" but in fact "consumers pay through higher prices at the register, or they pay when criminals steal their checks and open accounts in their name, wreaking havoc on their credit," says Judy Smith, director of Shared Check Authorization Network (SCAN) Remarketing Services, a loss-prevention service in Bothell, Wash.

SCAN, a service of Electronic Transaction Corp., also based in Bothell, offers

retailers the ability to cross-reference information on bad checks compiled by more than 290 major retailers and supermarket chains at more than 48,000 locations nationwide. Subscribers are alerted when a fraudulent check is presented for payment.

For pricing information, contact SCAN's Judy Smith or Denis duNann, president of Electronic Transaction, at 19803 North Creek Parkway, Bothell, Wash. 98011; (206) 483-2500. ■

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Writers will be identified only by initials and city. Questions may be edited for space. ■

BEVERAGE MAKING

The Personal Touch

I want to open a minibrewery, where customers can come to my store to make their own beer. Where can I get information on this kind of business?
P.U.Y., Toledo, Ohio

On-the-premises brewing (also known as "brew-on-premises" or "u-brew-it") was begun in Canada in the late '80s. The term refers to a do-it-yourself brewery in which customers make their own beer under the supervision of the store's personnel. Customers return to bottle and label the product after it ferments.

There are more than 300 independent on-the-premises breweries in Canada. In the past year, a number of Canadian u-brew-it businesses have opened in the United States, particularly in the Northwest, the Upper Midwest, and New England.

The movement to the U.S. market was encouraged by a 13-cents-per-liter tax placed on the brew-on-premises businesses by the Canadian government in 1993. Ross Begley, president of the Brew on Premises Association of Ontario, says the Canadian government's taxation of the u-brew-it businesses has caused many to close and others to suffer profit declines.

"While the 13-cents-per-liter tax doesn't amount to all that much overall, the public's perception of having to pay [an] onerous tax on one more thing has led to a falling-off of business," he says.

Begley operates a u-brew-it called Brewmasters in Midland, Ontario. He also runs a consulting firm for those who want to open such businesses. The company, called U Brew Systems, offers a range of start-up services.

Begley also has information on applicable U.S. and state regulations. He can be reached by writing to Brewmasters, P.O. Box 302, Midland, Ontario L4R 4L1. Or call (705) 526-2337, office; (705) 533-1502, home; (705) 533-3978, fax. NB

CONSIGNMENT SALES

Opening A Thrift Shop

As economic-development director for the city of Windom, Minn., I have been asked for information about starting a clothing consignment store. Where can I go for more information?
J.K., Windom, Minn.

The National Association of Resale and Thrift Shops offers a free packet that contains a publications catalog as well as tips on planning the business and stocking the shelves. The kit also includes information on joining the association.

For additional details, write the National Association of Resale and Thrift Shops, 20331 Mack Ave., Grosse Pointe Woods, Mich. 48236; or call 1-800-544-0751.

Too Good to be Threw: The Complete Operations Manual For Consignment Shops, a book written and published by Kate Holmes, contains information for owners of newly opened consignment shops as well as for experienced shop owners. The cost is $69.95, plus $2.50 for shipping and handling.

To order, write Kate Holmes, 1521 W. Fifth Ave., Columbus, Ohio 43212; or call (614) 486-0031.

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Violence In The Workplace

When violence occurs in the workplace, it can be a major disruption to the business and to its employees, in both their attitudes and their work performance. (See the cover story, Page 18.) These questions seek your views on matters pertaining to workplace violence.

Results of this poll will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid response card. Or circle your answers below and fax this page to (202) 463-5636.

1

How much of a problem is violence in your business?

1. A major problem
2. Somewhat of a problem
3. Not a problem

2

What kind of violence have you experienced in your workplace in the past three years?

1. Incident(s) involving a weapon
2. Incident(s) involving physical contact, with no weapons
3. Incident(s) involving only threats
4. None

3

How much do you think employees should be involved in any solution to prevent or control workplace violence?

1. A great deal
2. Somewhat
3. Not at all

4

Which of these two measures do you think is more important in responding to workplace violence?

1. Better physical security overall
2. Counseling for employees or managers who need it

5

Have you declined to hire someone in the past three years because of concerns about his or her tendencies toward violence?

1. Yes
2. No

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POLL RESULTS

Readers' Views On Budget Issues

The most popular of four federal tax-cut options in a recent *Nation's Business* poll was a cut in individual rates, which was the preference of 45 percent of respondents. A cut in capital-gains tax rates was second in popularity, cited as the top choice by 34 percent of respondents to the December Where I Stand poll.

Cutting corporate rates was favored by 11 percent, and accelerated depreciation of capital equipment by 10 percent.

Seventy-eight percent of all respondents supported a middle-income tax cut provided it is offset by spending cuts, not more business taxes. Only 13 percent would support such a cut without a qualifier.

The new Republican-controlled Congress is considering a number of tax cuts and spending reductions, including major changes in the capital-gains tax.

Here are the complete results of the survey:

BUDGET ISSUES

■ Of these prospective tax changes, which one is the most important to you as a business person?

Capital-gains tax reduction	34%
Reduction in individual tax rates	45
Reduction in corporate tax rates	11
Accelerated depreciation of capital expenditures	10

■ To achieve significant spending cuts, would you approve of reductions in entitlement programs, which include Social Security, federal civilian/military retirement, Medicare, Medicaid, veterans' benefits, and welfare?

Yes	78%
No	22

■ If you were forced to choose just one, which of these two widely discussed approaches to controlling the deficit would you prefer?

Balanced-budget amendment to the Constitution	53%
Line-item veto authority for the president	47

■ How do you feel about the proposal to increase the long-standing 25 percent tax deductibility of health costs for small-business owners to 100 percent?

Absolutely critical	48%
Helpful, but not critical	45
Not particularly significant	7

■ Which one of these possible tax-relief measures for capital gains is most important to you?

Full deductibility of all capital losses against ordinary income	21%
Indexation of asset value so that gains attributable to inflation would not be taxed	25
Exclusion of half of gains from taxable income	15
Lower rate	39

■ Both Democrats and Republicans have talked about a middle-income tax cut. How do you, as a business person, feel about that?

Support	13%
Support, if offset by spending cuts, not more business taxes	78
Oppose	3
Oppose, unless business taxes are also reduced	6

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Editorial

Sizing Up The Leaders

PHOTO: SHAWN MCNAMEE—REUTER

House Speaker Newt Gingrich, *sworn in Jan. 4, hand-picked committee chairmen, sometimes ignoring seniority.*

The private sector has repeatedly explained to congressional committee chairmen and members of the majority in the House and the Senate over recent decades that they should not force a company to comply with yet another tax increase or incur the expense of yet another regulation.

A new tax or regulation could force that company to finance the higher costs of such actions by setting uncompetitive price increases, reducing its work force, postponing hiring, delaying expansion or maintenance, or by taking the ultimate step—closing.

As a result of the Republican takeover of Congress, committees whose output has a heavy impact on business are now headed by individuals whose understanding of a competitive economic system is much better than their predecessors'.

Among the committee leaders we cited last month, the current GOP chairmen had a combined pro-business rating of 90.1 percent and the former Democratic chairmen had a combined rating of 21.3 percent. This month, we expand that perspective to the individual heads of committees that deal directly with major business issues.

The ratings are drawn from a U.S. Chamber of Commerce analysis of whether votes by members of Congress on selected business-related issues in 1993 supported or opposed the business position; when they become available, 1994 rankings are certain to reflect the extent of the change.

Below are the comparisons, with new Republican chairmen listed first, followed by former Democratic chairmen.

Business by no means anticipates that the change spotlighted by this comparison guarantees success on every issue. It does anticipate that its views and concerns will receive a fair, thorough hearing and will be considered on their merits. That will be change indeed. NB

House Of Representatives

Agriculture: Pat Roberts, Kan., 100%; E "Kika" de la Garza, Texas, 40%.

Appropriations: Bob Livingston, La., 100%; David Obey, Wis., 27%.

Banking and Financial Services (formerly Banking, Finance, and Urban Affairs): Jim A. Leach, Iowa, 82%; Henry B. Gonzalez, Texas, 9%.

Budget: John R. Kasich, Ohio, 100%; Martin O. Sabo, Minn., 9%.

Economic and Educational Opportunities (formerly Education and Labor): William F. Goodling, Pa., 90%; William D. Ford, Mich., 0%.

Commerce (formerly Energy and Commerce): Thomas J. Bliley, Va., 100%; John D. Dingell, Mich., 18%.

International Relations (formerly Foreign Affairs): Benjamin A. Gilman, N.Y., 45%; Lee H. Hamilton, Ind., 36%.

Government Reform and Oversight (formerly Government Operations): William F. Clinger Jr., Pa., 100%; John Conyers Jr., Mich., 0%.

Judiciary: Henry J. Hyde, Ill., 82%; Jack Brooks, Texas, 20%.

National Security (formerly Armed Services): Floyd Spence, S.C., 82%; Ronald V. Dellums, Calif., 0%.

Resources (formerly Natural Resources): Don Young, Alaska, 73%; George Miller, Calif., 0%.

Science (formerly Science, Space, and Technology): Robert S. Walker, Pa., 100%; George E. Brown Jr., Calif., 27%.

Transportation and Infrastructure (formerly Public Works and Transportation): Bud Shuster, Pa., 70%; Norman Y. Mineta, Calif., 27%.

Small Business: Jan Meyers, Kan., 91%; John J. LaFalce, N.Y., 9%.

Ways and Means: Bill Archer, Texas, 91%; Dan Rostenkowski, Ill., 9%. (Rostenkowski was not Archer's immediate predecessor but is listed here because he dominated the panel for many years.)

Senate

Agriculture: Richard G. Lugar, Ind., 100%; Patrick J. Leahy, Vt., 27%.

Appropriations: Mark O. Hatfield, Ore., 91%; Robert C. Byrd, W.Va., 18%.

Armed Services: Strom Thurmond, S.C., 82%; Sam Nunn, Ga., 82%.

Banking, Housing, and Urban Affairs: Alfonse M. D'Amato, N.Y., 91%; Donald W. Riegle Jr., Mich., 18%.

Budget: Pete V. Domenici, N.M., 100%; Jim Sasser, Tenn., 18%.

Commerce, Science, and Transportation: Larry Pressler, S.D., 91%; Ernest F. Hollings, S.C., 27%.

Energy and Natural Resources: Frank H. Murkowski, Alaska, 100%; J. Bennett Johnston, La., 45%.

Environment and Public Works: John H. Chafee, R.I., 82%; Max Baucus, Mont., 20%.

Finance: Bob Packwood, Ore., 100%; Daniel P. Moynihan, N.Y., 27%.

Foreign Relations: Jesse Helms, N.C., 80%; Claiborne Pell, R.I., 30%.

Government Affairs: William V. Roth Jr., Del., 100%; John Glenn, Ohio, 27%.

Judiciary: Orrin G. Hatch, Utah, 100%; Joseph R. Biden Jr., Del., 33%.

Labor and Human Resources: Nancy Landon Kassebaum, Kan., 91%; Edward M. Kennedy, Mass., 36%.

Small Business: Christopher S. "Kit" Bond, Mo., 100%; Dale Bumpers, Ark., 18%.

Free-Spirited Enterprise

By Janet L. Willen

Sincerely Yours

When Tracy Smith's boyfriend couldn't find a greeting card just right for her, she started **Interracially Correct Greeting Cards,** of Chicago.

On the front of each card is a photograph of couples, friends, or family members of different races in casual situations. Inside are friendly, romantic, or celebratory messages. One card, for example, shows two children of different races sitting together, and the message says, "Happy Birthday, Baby."

Cards cost $1.75 each plus shipping and handling. For more information, call 1-800-TRUE-CLR or 1-800-878-3257.

Balancing Act

Cocktail parties can be a challenge for the most adept business person. How do you gracefully hold a plate, eat, drink, and accept a business card at the same time?

G'-Ka!, of Flemington, N.J., designed a tray to solve the problem.

The G'-Ka! tray is sculpted with a raised rim around a plate opening to hold a 5-inch or 7-inch plate. A scooped

rounded opening at one side accommodates most glasses, including long-stemmed wine glasses or coffee cups. Curved edges on both sides are designed for holding the tray whether you're right- or left-handed.

For information on licensing, call G'-Ka! at (908) 782-0926.

You Are What You Eat

If your friends aren't getting any younger, you can show them you care with a box of Over the Hill Bran Flakes from **Magique Novelties,** of Carol Stream, Ill.

The front of the box advertises "The High Fiber Jump Start of Over the Hill Champions" and shows a scrawny old man with knobby knees holding a basketball. One side panel features a recipe for prune bran muffins. Inside the box are old-fashioned bran flakes.

Magique sells this and other gag gifts—like oversized message pads (because "your eyes aren't what they used to be") and a mirror that laughs when you lift it—to party stores, gift stores, and other retailers. The suggested retail price for the cereal is $5.99. For more information, call 1-800-932-6672.

The Color Of Money

You may not have inherited old money, but you can still get your hands on some.

Old Money, from **Crane & Co., Inc.,** of Dalton, Mass., is paper made from recycled U.S. currency from the Federal Reserve Bank of Cleveland.

Old Money is 70 percent recycled currency and 30 percent cotton fibers from scraps and other recovered products. The company retains the greenbacks' color to avoid the environmental impact of removing and disposing of the ink.

Crane's Old Money is available in boxed notes, self-sticking notes, sheets measuring 8½ by 11 inches, No. 10 envelopes, and gift bags called Old Money Bags.

Each ream of 24-pound 8½-by-11-inch Old Money uses the cash equivalent of $15,000 in currency residue, based on a normal distribution of bills.

For more information, call Crane's customer service at (413) 684-2600.

A Fitting Commute

Those who do two things at once—isn't that all of you?—can turn their drive to work into a fitness routine.

Karkicks, from **Events Extraordinaire,** of Merrimack, N.H., is a stress-reducing and exercise tape program designed for use while driving.

The 60-minute, two-tape program leads the driver through 14 isometric exercises that work the muscles from the neck to the knees, including

shoulder rolls, knee presses, abdominal pulls, and neck stretches. About every 90 seconds, there's a safety message.

For those who don't drive to work, the company also sells Desk Kicks, an exercise program for use in the office. The 50-minute tape works muscles from the face to the toes. It includes routines for the hands, wrists, and arms to prevent carpal tunnel syndrome.

Each tape program costs $14.95 plus $3.25 shipping and handling. For more information, call 1-800-666-2230.

Let's Have Lunch

Business people who haven't found their Valentine could consider **Lunch Dates,** of New York.

Designed for people with hectic schedules, this introduction service, which operates in Los Angeles as well as New York, matches singles for lunch-hour dates.

The service costs $495 and provides nine introductions within 12 months. Applicants undergo an interview that covers their own demographics, personality, and interests, and the kind of person they'd like to meet. The company finds appropriate matches from among its clients and provides each of them with the potential match's name and phone number.

The number for more information—whether in New York or Los Angeles—is (212) 259-9348. NB

ILLUSTRATIONS: MICHAEL ROOK

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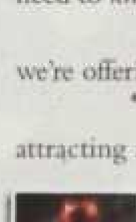

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The Business Advocate

SUPPLEMENT TO Nation's Business FEBRUARY 1995

U.S. Chamber of Commerce

TAKING THE OFFENSIVE ON CAPITOL HILL

1994

ANNUAL REPORT

Following last year's important victories, the U.S. Chamber is moving aggressively to further business's agenda in light of a more favorable climate in Washington.

The United States Chamber of Commerce

Dear Member:

As a member of the U.S. Chamber of Commerce, you can take great pride in this organization's role in helping to initiate a new political era in our nation.

Control of the legislative branch of the federal government has progressed from those who believe the government should play a major role in the economy to those who believe that market forces should prevail.

From the spending explosion of the 1960s and the regulatory expansion of the 1970s, we have consistently warned that excessive federal spending, taxes, and regulation were undermining our economic system.

Now, lawmakers with strong records of support for Chamber positions shape the legislative agenda. (See the editorial on Page 75 in this month's *Nation's Business*.) We have advocated for years many of the proposals receiving top priority in the new Congress.

It would be unrealistic, however, to assume that business is entering a utopian period in which its every wish will be granted by a receptive Congress. Broad policy proposals will translate into legislation. But disagreements will undoubtedly emerge on emphasis, scope, and timing, not only between business and Congress but also among businesses themselves.

In addition, conflict between a Democratic president with veto power and a Republican-controlled Congress seems inevitable, although the president has shown signs of moving toward the policies that earned the GOP its stunning political victory.

Overall, the vastly changed climate in Congress induces optimism about achieving in the coming year many of the goals that we have long sought. To that end, we shall continue to expand our highly effective grass-roots network, to solicit and implement your views, and to strengthen all our operations committed to influencing public-policy decisions.

Having helped create the new political era, we will now work aggressively to assure that this profound change benefits you and all Americans.

Bill Marcil   Dennis W. Sheehan   Dick Lesher

William C. Marcil
1994-1995 Chairman

Dennis W. Sheehan
1994-1995 Vice Chairman

Richard L. Lesher
President

Members Set Top Priorities

Bruce Josten, left, U.S. Chamber senior vice president/membership policy, discusses a Senate bill to curtail unfunded federal mandates with Sen. Dirk Kempthorne, R-Idaho, the measure's sponsor, center, and Senate Majority Leader Bob Dole, R-Kan., at a press conference on the issue. The unfunded-mandates issue was one of the first matters considered by the Senate in 1995.

Stopping the federal government from imposing unfunded mandates on the private and public sectors should be the No. 1 legislative priority of the U.S. Chamber of Commerce, according to the business federation's members.

Chamber members made their top legislative concerns known through the National Business Agenda survey, which was sent to the business federation's 220,000 members after a Sept. 8 teleconference on the legislative outlook.

Following unfunded mandates on the list of the top 20 concerns are: welfare reform, federal paperwork burdens, solvency of the Social Security system, a balanced-budget amendment to the Constitution, budget process reforms, and workplace safety and health regulations.

Others are civil-justice reform, regulatory flexibility, opposition to mandated health benefits, National Labor Relations Board rulings, and excessive taxation in the transportation area.

In addition: attempts to rewrite the workplace safety and health law, small-business tax reform, capital cost recovery, protection of property rights, economic impacts of legislation and regulations, unemployment insurance and training reform, illegal immigration, and health-care and workers' compensation reforms.

Results of the survey were evaluated by the Chamber's policy committees and board of directors. (See the box on Page 4A for the complete results, listed according to issue areas.)

"These top issues will receive special focus in our lobbying, grassroots education, and media relations efforts," said Chamber President Richard L. Lesher.

Members' top concern—unfunded mandates—has been one of the hottest issues on Capitol Hill since the new Congress convened Jan. 4. Unfunded mandates are requirements imposed by lawmakers on the public and private sectors without federal funds for implementation.

At press time, a bill to prohibit such requirements—sponsored by Sen. Dirk Kempthorne, R-Idaho—was set for a vote on the Senate floor. It was expected to be approved and sent to the House, which was likely to consider the measure in late January.

The Chamber has led the business community's fight to pass legislation curtailing unfunded mandates. In early January, leaders of the organization met with Kempthorne, Senate Majority Leader Bob Dole, R-Kan., and other lawmakers to plan strategies for winning approval of the measure.

Resources being employed in support of the business agenda include the Chamber's Grassroots Action Information Network (GAIN) and its state satellite network. GAIN consists of more than 35,000 Chamber members who are active on legislative issues.

During the past year, GAIN was used numerous times to alert its participants about issues at critical stages in the legislative process.

Continued on Page 4A

Annual Meeting Slated For Feb. 27

The U.S. Chamber of Commerce's 1995 annual meeting will be held Feb. 27 at the organization's Washington headquarters and will be broadcast to satellite downlink sites nationwide.

The conference is scheduled from 1 to 2:30 p.m. Eastern time. Registration is free to U.S. Chamber members. A highlight of the meeting will be the presentation of the Chamber's 1995-1996 business agenda to the chairmen of the House and Senate Small Business committees, Rep. Jan Meyers, R-Kan., and Sen. Christopher S. "Kit" Bond, R-Mo.

Also highlighting the meeting will be the recognition of the four 1995 national designees in the Blue Chip Enterprise Initiative program.

The program is sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber, and *Nation's Business* magazine and recognizes small businesses that have overcome adversity.

For the location of the satellite downlink nearest you, or for more information about the meeting, call 1-800-835-4730.

1994 ANNUAL REPORT

Toby Malichi, right, president and managing director of Malichi Diversified, Ltd., and a Chamber board member, participated in the National Business Agenda videoconference in Washington. Meryl Comer, U.S. Chamber vice president for communications development, moderated the conference.

Continued from Page 3A

(To join GAIN, call (202) 463-5604.)

The Chamber's satellite network enables business people to participate in interactive town-hall-type meetings broadcast from the Chamber's Washington headquarters.

The organization is now linked by satellite with chambers of commerce in 33 states, and organizations in several other states are expected to join the network in the coming months.

The federation's Feb. 27 annual meeting will be broadcast on the network. (See the story on Page 3A for details.)

The Chamber will present its National Business Agenda to the chairmen of the House and Senate Small Business committees, Rep. Jan Meyers, R-Kan., and Sen. Christopher S. "Kit" Bond, R-Mo., at the annual meeting. The business agenda—and the survey results—will also be forwarded to all members of Congress and the Clinton administration.

Results Of The National Business Agenda Survey

(For more information on the poll, see the story on Page 3A.)

(Number Of Respondents)

	Very Important	Important	Not Important	No Opinion
ECONOMIC POLICY				
Balanced-Budget Amendment	4,967	844	215	60
Budget Process Reforms	4,484	1,320	120	132
Social Security Solvency	3,975	1,845	188	80
Small-Business Tax Reform	3,710	1,837	243	281
Legislative and Regulatory Impact Analyses	3,437	2,048	303	270
Capital Cost Recovery	3,063	2,476	241	263
Income Tax Reforms	2,867	2,095	534	524
Expensing Environmental Cleanup Costs	1,821	2,913	689	619
Alternative Minimum Tax	1,668	2,824	612	891
International Tax Provisions	1,523	2,947	779	798
Research and Experimentation Credits	1,196	2,768	1,148	904
Accounting Standards — Stock Options	980	2,681	1,445	956
HEALTH CARE				
Oppose Mandated Health Benefits	4,782	839	379	97
Reject Federalization of Workers' Comp	4,065	1,370	284	381
Prevent Cost Shifting Between Health-Care and Workers' Comp Systems	3,641	1,822	210	412
Pass Chamber's 8-Point "American Plan"	3,515	1,914	451	137
TELECOMMUNICATIONS				
Secure Networks	2,307	2,549	539	575
Create Affordable Networks for Business	1,293	2,947	922	767
Make Products and Services Easy to Use	1,246	2,761	1,147	765
Update Copyright and Intellectual-Property Laws	1,201	2,955	783	999
Services and Functions Access	1,097	2,758	1,060	1,008
Interconnected Networks	952	2,614	1,163	1,204
EDUCATION AND TRAINING				
Welfare Reform	4,530	1,348	61	69
Unemployment Insurance and Training Reform	2,878	2,602	194	306
ENVIRONMENT AND RESOURCES				
Property-Rights Protections	3,775	1,762	232	240
Reauthorize Clean Water Act	2,491	2,836	271	420
Reauthorize Endangered Species Act	2,231	2,241	916	623
Revise Hazardous-Waste Law	2,097	2,929	273	700
Superfund	2,087	2,814	430	707
Risk Assessment	2,028	2,799	382	775
Revise Solid-Waste Law	1,909	3,075	313	722
Farm Bill	1,667	2,670	505	1,159

(Number Of Respondents)

	Very Important	Important	Not Important	No Opinion
TRANSPORTATION				
Fight Excessive Taxation	4,256	1,326	102	277
Trust Fund Revenue Diversion	2,596	2,221	283	843
Pass National Highway Bill	1,970	2,914	297	753
Link Transportation and Productivity	1,245	2,960	605	1,100
Fund Intermodal Surface Transportation Efficiency Act	652	1,849	1,109	2,264
WORK FORCE, LABOR, AND BENEFITS				
Oppose New OSHA Regulations	4,804	984	99	103
Oppose Rewrite of OSHA Law	4,443	1,121	249	195
Control Illegal Immigration	4,164	1,300	300	219
Family and Medical Leave Act	4,101	1,357	375	174
Union Organizing Efforts	4,090	1,259	421	236
Defeat Striker Replacement	4,052	1,218	437	278
Reverse Pay-Docking Policy	3,298	1,681	593	420
NLRB Rulings	3,259	2,323	210	207
Minimum-Wage Increases	2,972	1,825	905	303
Pension Simplification	2,773	2,646	272	300
Electronic Monitoring	1,954	2,302	1,097	601
Employer-Sponsored Visas	585	1,814	2,284	1,248
REGULATORY AND LEGAL IMPEDIMENTS				
Unfunded Mandates	5,099	833	30	52
Civil-Justice Reform	4,279	1,455	121	135
Regulatory Flexibility	4,000	1,680	78	223
Reduce Federal Paperwork	3,868	1,969	98	80
Product-Liability Reform	3,399	1,868	274	440
Mandated Procurement Practices	2,807	2,429	221	496
Federal Contract Barriers	2,517	2,525	386	547
Reduce Nonvalue-Added Requirements	1,733	2,490	453	1,282
Lobbying Registration Reform	1,316	2,194	1,395	1,075
Antitrust Reform	834	2,189	1,124	1,799
INTERNATIONAL				
Defeat Labor and Environment Links to Trade Pacts	3,270	1,976	255	500
Combat Foreign Violations of Intellectual-Property Rights	3,071	2,050	190	695
GATT	2,379	2,239	320	1,044
Chile Free-Trade Agreement	1,701	2,385	524	1,362
China MFN Status	1,264	2,562	878	1,247

Confidence In Economy Soars As Year Closes

The Business Confidence Index finished the year on a strong note, hitting an all-time high of 65.2 since it was created in May 1990.

The previous high for the index was 64.2 in June 1992.

The index was developed by the U.S. Chamber of Commerce and is based on the results of three economic questions asked in the bimonthly Business Ballot poll of the organization's members. The poll asks members' six-month outlook for their firms' sales, their firms' employment, and the economy in general.

(An index of 50 means the number of Chamber-member companies expecting increases in their sales, employment, and the economy in general over the next six months is equal to the number that expect decreases.)

The December index appeared, in part, to reflect business's confidence in the November election results, which put Republicans in control of Congress for the first time in 40 years.

The Republicans have vowed to vote in the first 100 calendar days of 1995 on a number of generally pro-business proposals, including a cut in the capital-gains tax.

"Positive developments on both the economic and political fronts led to a sizable jump in the Business Confidence Index," said Martin A. Regalia, chief economist for the U.S. Chamber.

The index started 1994 at 51, based on February 1994 polling. This was a slight decline from Chamber members' outlook at the end of 1993.

It fell slightly again in April, to 49.9, following an increase in interest rates, then jumped to 56.4 in June as unemployment numbers and other economic indicators stabilized.

Further interest-rate hikes by the Federal Reserve and continuing talk during the spring and summer from the Clinton administration and some lawmakers about a massive government-run health-care system were believed to be the reasons that the index fell again in August to 49.9.

Business's confidence in the economy continued its roller-coaster ride in October, jumping up to 57.2. The rise occurred despite further interest-rate increases.

In the latest poll, 46.7 percent of the respondents said they expect the economy to improve over the next six months, up from 29.8 percent in October. While 17.1 percent said they believe the economy will decline, 36.2 percent said there will be no change.

Despite business's up-and-down outlook on the economy throughout 1994, respondents to the polls were continually more optimistic about their own firms' prospects for increasing sales and adding jobs.

And that was true in the December poll, with 51.4 percent expecting their sales to increase over the next six months compared with just 9.8 percent expecting a decline. Just under 39 percent expect no change in their sales.

On the question of employment, 27.9 percent said they expect to add workers over the next six months, 7.3 percent expect to cut employment, and 64.8 percent said they foresee no change in their work-force numbers.

Be sure to respond to this month's Business Ballot in the polybag with your Nation's Business *and* The Business Advocate.

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GOP Congress Good For Firms, Businesses Say

The overwhelming majority of respondents to the latest Business Ballot poll believe that the business climate will improve under a Republican-controlled Congress.

Nearly 80 percent of U.S. Chamber of Commerce members responding to the December poll expressed such optimism about the November election results. Just 3.5 percent said the business climate will get worse, and 17 percent said they believe there will be no change.

The GOP picked up 53 seats in the House and eight in the Senate on Election Day, and Sen. Richard Shelby of Alabama switched from the Democratic to the Republican party the day after the elections to give Senate Republicans a nine-seat gain.

Republicans now control both houses of Congress for the first time since 1954. They have a 231-203 margin in the House and a 53-47 advantage in the Senate. There is one Independent member in the House.

The Business Ballot polls all U.S. Chamber members bimonthly on business-related issues and the members' economic outlook.

On the issue of reforming welfare, 83.4 percent of respondents said it should be a high priority, 13.4 percent judged it a moderate priority, and 3.2 percent called it a low priority.

Welfare reform is expected to receive much attention in Congress this year because it is a priority for both President Clinton and Republican leaders in Congress. It is part of the House GOP Contract With America, a list of 10 legislative priorities expected to be voted on in the first 100 calendar days of 1995. It is also among the seven priorities of the Senate's GOP leaders.

Though health-care reform received extensive attention in Congress last year, the issue should be moved to the legislative back burner this year, according to the Chamber poll.

Nearly 35 percent of the respondents said Congress should drop the issue altogether, and 22.2 percent said reform should be left up to the states. Just under 36 percent said incremental reforms should be adopted, and just 7.1 percent said Congress should pass legislation to achieve a major overhaul of the health-care system.

HIGHLIGHTS 1994

Lawmakers looked to the U.S. Chamber of Commerce for insight and guidance on a host of issues in 1994. Highlights of the past year ranged from the Chamber's leading role in defeating the striker-replacement bill to its announcement of the results of a significant membership poll on health-care reform options.

Rep. Richard K. Armey, R-Texas, right, is greeted by William C. Marcil, the U.S. Chamber's 1994-1995 chairman, before addressing the organization's board of directors on health-care reform legislation. Armey is now the majority leader in the House.

In photo above, Chamber President Richard L. Lesher, at the lectern, urges the Senate to defeat a bill that would ban the replacement of striking workers. Also speaking against the measure were, from the left, Sens. Larry E. Craig, R-Idaho, Lauch Faircloth, R-N.C., Strom Thurmond, R-S.C., and Orrin G. Hatch, R-Utah; Sam Maury, executive director of the Business Roundtable; Sens. Conrad Burns, R-Mont., and Don Nickles, R-Okla.; and Jerry Jasinowski, president of the National Association of Manufacturers. In photo at upper right, Lesher, center, and Lonnie P. Taylor, left, the Chamber's vice president for congressional affairs, talk with Sen. Richard C. Shelby, of Alabama. Shelby consulted with the business federation before switching from the Democratic to the Republican party following the November elections.

Rep. John R. Kasich, R-Ohio, center, the new House Budget Committee chairman, and Sen. J. Robert Kerrey, D-Neb., discussed budget issues at a Chamber Policy Insiders forum early last year. Chamber Vice President Meryl Comer moderated the debate.

James K. Baker, a Chamber director and chairman of the organization's International Policy Committee, testifies in favor of the Uruguay Round accord under the General Agreement on Tariffs and Trade before the Senate Finance Committee.

Rep. Newt Gingrich, R-Ga., center, who is now speaker of the House, makes a point about the effects of the Clinton administration's health-care proposal at a forum held at the U.S. Chamber. Also participating were Sen. Bob Packwood, R-Ore., left, and Republican National Committee Chairman Haley Barbour.

Rep. Marge Roukema, R-N.J., addresses the Chamber's labor policy committee about union-backed bills pushed in the 103rd Congress.

William C. Marcil, left, 1994-1995 U.S. Chamber chairman, discusses the results of a health-care survey sent to all 220,000 of the organization's members. Chamber President Richard L. Lesher, center, and Bruce Josten, senior vice president/membership policy, look on.

The Chamber's Vice President/International Willard A. Workman, center, talks with Commerce Secretary Ron Brown, right, and Chinese Vice Premier Li Lanqing at a conference hosted by the business federation to facilitate trade agreements between U.S. companies and the Chinese.

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Congressional approval late last year of legislation to implement the latest accord under the General Agreement on Tariffs and Trade capped a successful legislative year for the U.S. Chamber of Commerce.

The momentum generated in 1994 is expected to increase this year during the new Congress as concepts long backed by the Chamber are developed into legislation.

Following is a summary of the important victories the Chamber helped secure for business in 1994:

■ GATT

The worldwide trade accord passed by the House on Nov. 29 and by the Senate on Dec. 1 amounts to a $750 billion global tax cut that will stimulate U.S. exports and job growth, according to the Chamber.

The Chamber, which helped lead a coalition of businesses and organizations in favor of the pact, had worked toward passage of the accord for eight years.

The GATT Uruguay Round trade agreement, which took effect Jan. 1, is expected to cut global tariffs by more than one-third, eliminate tariffs in some export sectors, protect intellectual-property rights, reduce agricultural subsidies, and bring trade in services under GATT's auspices.

U.S. consumers will be big winners under the pact, the Chamber says. Former Treasury Secretary Lloyd Bentsen, who was crucial to the Clinton administration's push for the measure, said increased business activity generated by the Uruguay Round pact will hold down the U.S. budget deficit by $60 billion over the next 10 years.

The pact, named for the South American country where the trade talks began in 1986, was negotiated by more than 120 nations.

■ China MFN

The Chamber also scored a significant trade victory when President Clinton agreed in late May to renew most-favored-nation (MFN) trading status for China with no links to that country's progress on human rights. MFN status was extended until July 3, 1995.

Congress, which could have rejected the decision with a vote of two-thirds of both houses, ultimately supported the decision.

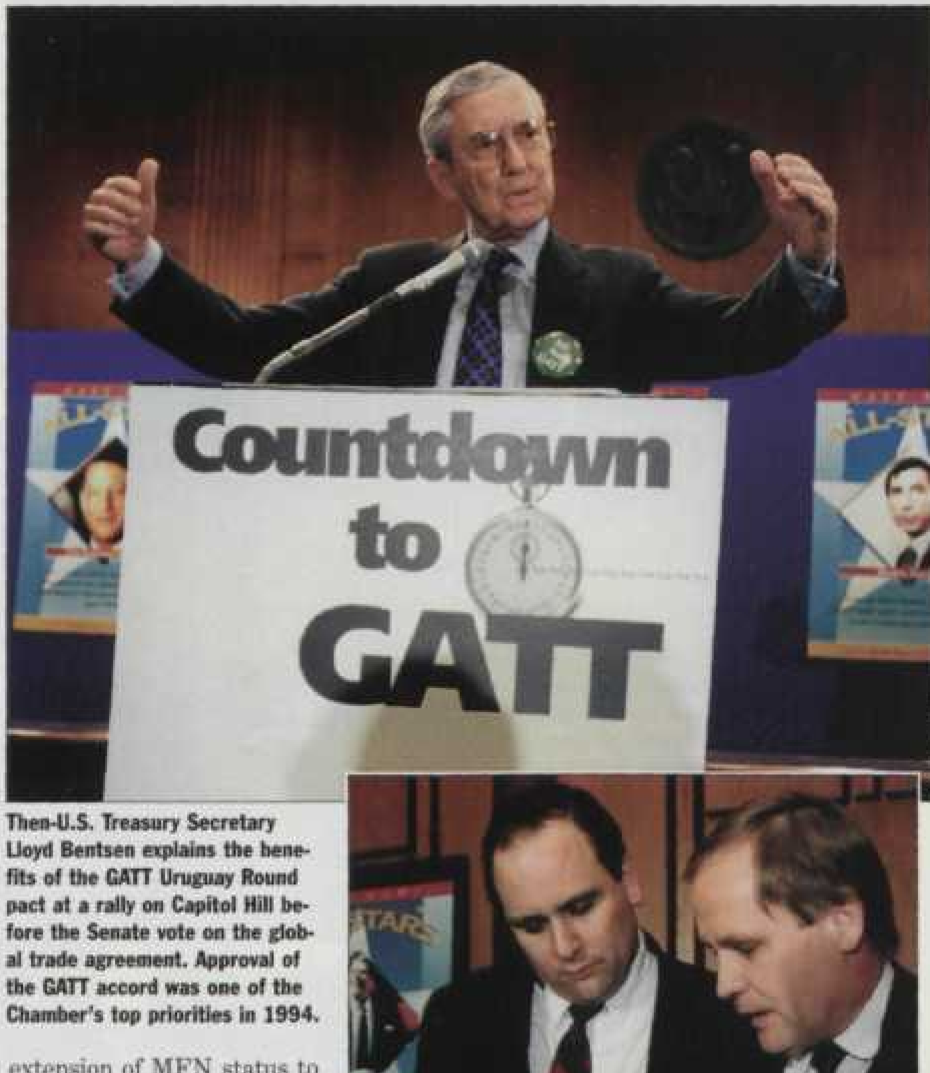
The Chamber has long advocated extension of MFN status to China—and other nations—without conditions. U.S. trading partners that are granted MFN status are treated equally, and most trading partners of the U.S. have such status.

The Chamber had urged the administration to extend the favorable trading status to maintain U.S. influence—both economic and social—in what is now the most populous nation and the third-largest in area. It is also one of the world's most rapidly growing economies.

The Chamber is expected to back extension of MFN status again in 1995.

■ Health-Care Reform

The U.S. Chamber's forceful stand for market-based reform of the country's health-care system and against



Then-U.S. Treasury Secretary Lloyd Bentsen explains the benefits of the GATT Uruguay Round pact at a rally on Capitol Hill before the Senate vote on the global trade agreement. Approval of the GATT accord was one of the Chamber's top priorities in 1994.

Wolf Brueckmann, right, manager/Western Hemisphere for the Chamber's International Division, discusses legislative strategy on GATT before the Senate vote with Mark Hall, manager of government relations/international for TRW Corp. The Chamber and other business organizations were part of a broad-based coalition working for passage of the global trade pact.

employer mandates helped kill President Clinton's sweeping plan and various other proposals similar to it.

The Clinton plan and the variations that arose on Capitol Hill would have required employers to pay for most of their workers' health-care insurance, imposed new taxes, and greatly expanded the government's role in the health-care system.

In addition to the Clinton plan, other proposals were offered by then-Senate Majority Leader George J. Mitchell, D-Maine, and then-House Majority Leader Richard A. Gephardt, D-Mo. A third bill put forward as a compromise also contained elements unacceptable to the Chamber.

Based on a poll of its 220,000 members, the Chamber had proposed the "American Plan"—a package of eight market-based reforms. The Chamber's plan called for:

- Insurance reforms to ensure availability and portability of coverage.
- Consumer choice.
- Purchasing pools for small employers and individuals.
- Simplified administration.
- Malpractice reform.
- Price and quality report cards on health-insurance plans.
- A standard minimum benefits package that all insurers would offer to allow comparison shopping.
- One hundred percent deductibility of insurance premiums paid by the self-employed.

The plan is expected to serve as the basis for the Chamber's position on health reform in the new Congress.

Striker Replacement

The Chamber was a leading voice against a bill to ban employers from hiring long-term replacements for striking workers.

The legislation was defeated when opponents beat back two attempts to bring the measure to a vote in the Senate.

Sen. Orrin G. Hatch, R-Utah, center, listens as the Chamber's Lonnie P. Taylor, left, and Peter Eide outline the organization's opposition to legislation that would bar employers from permanently replacing striking workers. Hatch led a filibuster in July that blocked passage of the bill.

Led by Sen. Orrin G. Hatch, R-Utah, opponents of the legislation won on votes of 47-53 on July 12 and 46-53 on July 13 to continue a filibuster—or prolonged debate—effectively killing the measure. Sixty votes are needed to end debate.

The striker-replacement bill would have prohibited employers from permanently replacing employees—either union or nonunion—who strike over economic conditions, such as wages and benefits.

Current law already bans permanent replacements in strikes involving management's use of an unfair labor practice, such as provoking a walkout in an attempt to "bust" a union.

The striker-replacement ban was sponsored by Sens. Howard M. Metzenbaum, D-Ohio, who retired in 1994, and Edward M. Kennedy, D-Mass.

The Chamber said the measure would have encouraged and prolonged strikes at union firms and made organizing nonunion companies much easier for labor unions. It also would have upset the long-standing balance between the rights of labor and management.

Lobbying Disclosure

In a major victory for the Chamber, a bill that would have heaped new requirements and paperwork on organizations that lobby the federal government was defeated shortly before Congress adjourned in October.

In defeating the bill, the Chamber worked with numerous other grass-roots organizations that represent their members' views before Congress and the executive branch.

The legislation died Oct. 7 when the Senate failed to muster the two-thirds majority needed to cut off debate and to bring the bill up for a vote. The House had approved the measure in late September.

The legislation would have infringed on organizations' and the public's rights of free speech and free association and the right to petition Congress, said the Chamber.

It also would have required anyone who was paid or incurred expenses of more than $2,500 in a six-month period for "lobbying" Congress, their staffs, or most executive branch employees (including the president and vice president), or who spent more than 10 percent of their time "lobbying," to register and file twice-yearly reports with a newly created Office of Lobbying Registration and Public Disclosure.

Procurement Reform

Chamber-backed legislation that will streamline the procurement process was signed into law in late September. The business federation worked with lawmakers in the House and the Senate to get specific reforms included in the legislation to make selling to the government more attractive to small businesses.

The new law encourages the federal government to purchase more commercial goods directly off the shelf. Currently, almost everything the government buys must meet detailed specifications.

The law will also ease the paperwork burden on government contractors, especially small firms. Among other

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provisions, the purchasing law will:

■ Set aside agency contracts between $2,500 and $50,000 to $100,000—depending on an agency's level of computerization—for small-business bidders. Currently, the set-aside applies only to contracts worth less than $25,000.

■ Lighten the paperwork burden for companies involved in smaller purchases. For purchases of less than $2,500, government agencies can buy goods and services without going through the bid process.

■ Create an electronic data-interchange system to allow small firms to tap into internal government bulletin boards where agencies post notices of purchasing requests.

■ Raise the threshold for relatively simple purchases from $25,000 to $100,000. When selling the government goods or services costing less than $100,000, companies no longer must endure complex procedural requirements and record keeping.

■ Simplify the process for commercial purchases. The measure waives more than 30 laws that require firms to provide government agencies with detailed cost and pricing data and other information. The cost and pricing data would have to be submitted for contracts of $500,000 or more.

■ Improve government explanations of why a company did not win a contract, to help firms in subsequent efforts to secure federal business.

U.S. Chamber President Richard L. Lesher, at microphones, urged lawmakers to reject health-care proposals, including one by President Clinton, that would have mandated that employers pay for their workers' health insurance, imposed new taxes, and expanded the government's role in the health-care system. Others speaking against such measures were, from the left, Sens. Don Nickles, R-Okla., Paul Coverdell, R-Ga., Dan Coats, R-Ind. (at left behind Lesher), and Phil Gramm, R-Texas, right.

■ Davis-Bacon Act

Heavy pressure from the Chamber and other business groups helped kill an amendment to the procurement-reform bill that would have expanded the federal prevailing-wage law.

Currently, the Davis-Bacon Act requires contractors on federally funded projects of $2,000 or more to pay their workers the area's prevailing wage, which usually is the union wage. The law applies only to workers on the job site.

The defeated proposal would have extended coverage of the wage law to a project's off-site manufacturers and suppliers and to truck drivers who make deliveries to federally funded job sites. It also would have allowed individuals and "interested parties"—most likely to be unions—to sue to enforce the statute.

■ Goals 2000

The Goals 2000: Educate America Act, a measure strongly supported by the U.S. Chamber, was signed into law March 31. The new law codifies the national education goals established in 1989 by then-President Bush and the nation's governors.

The six education goals seek to ensure that all children begin school ready to learn; increase the high-school graduation rate to at least 90 percent; require proficiency in English, mathematics, science, and other major subjects; attain a No. 1 world ranking for the U.S. in math and science; ensure that all adults are literate; and have drug- and violence-free schools.

It also authorizes up to $400 million in grants for state education-reform efforts. States that apply for the grants must develop reform plans that set voluntary standards on student performance and education curriculum. Standards also must be developed for allocating resources and preparing teachers.

The law also creates a National Education Standards and Improvement Council to help develop national curriculum content standards, and a National Skills Standards Board to create standards for occupational skills.

■ Progress On Other Measures

In addition to its absolute victories, the Chamber was successful in advancing a number of measures that should lay the groundwork for passage of legislation during the 104th Congress.

Those measures included bills to limit federal unfunded mandates on the public and private sectors, cut government-required paperwork, reform the federal budget process, design a national highway system, and establish a uniform federal product-liability law to replace the patchwork of 50 state laws.

The Chamber is leading efforts to pass similar legislation in the new Congress.

New Series Set For 1995

The Quality Learning Services (QLS) Division of the U.S. Chamber of Commerce expects 1995 to be even more successful than 1994 was for the management-training seminars it offers via satellite.

Last year, QLS broadcast its spring and fall series of management seminars to more than 1,000 downlink sites throughout the country and in Canada and five sites in Brazil. Businesses, state and local chambers of commerce, educational institutions, state and local governments, and nonprofit groups were downlink-site hosts for the seminars in 1994.

Response already has been strong for the spring 1995 seminar series, which begins in early March. The spring schedule, with the subject of each seminar and its presenter, is:

March 7—"Creating Value for Your Customers, Employees, and Shareholders," James Belasco, professor of management at San Diego State University and co-author of *Flight of the Buffalo* (Warner Books).

March 21—"Bringing the Customer In," Peter Scholtes, author of *The Team Handbook* (Joiner Associates) and management consultant, in Madison, Wis.

Author John Naisbitt, shown with Meryl Comer, Chamber vice president for communications development, was one of many experts featured in the 1994 management seminar series sponsored by the Quality Learning Services Division. A new series of seminars begins March 7.

April 4—"The Great Game of Business," Jack Stack, author of a book of that title (Doubleday Currency) and president and chief executive officer of Springfield ReManufacturing Corp., in Springfield, Mo.

April 11—"Workplace Communications—the Gaps and Traps," management consultants Judith Briles of Denver, Rick Kirschner of Ashland, Ore., and Rick Brinkman of Portland, Ore.

April 18—"The Seven Habits—Becoming a Transition Person," R. Craig Pace of the Covey Leadership Center, in Provo, Utah.

May 2—"The Leader in You," Stuart R. Levine, chief executive officer of Dale Carnegie & Associates, Inc., in New York.

May 23—"Reengineering Management," James Champy, chairman of CSC Consulting, in Cambridge, Mass.

The seminars, all to be held on Tuesdays, will air from 1 to 3 p.m. Eastern time. For more information on downlinking the seminars and on taping rights, call 1-800-835-4730 or (202) 463-5940. Also available through those numbers are two free QLS catalogs of dozens of management-training videotapes, including earlier seminars.

Chamber Names Vice Presidents

The U.S. Chamber of Commerce solidified its management team with the hiring of three new vice presidents during 1994.

Following a major reorganization in early 1994 designed to streamline the federation's operations and better serve its members, the Chamber moved to fill vacancies in its media relations, membership, and congressional affairs offices.

Frank Coleman, former press secretary for Sen. Alfonse D'Amato, R-N.Y., was named vice president for media relations. Coleman also served as the Senate Republicans' chief spokesman on the Banking Committee.

The new vice president responsible for the Chamber's membership sales operations, including membership administration, the Office of Corporate Relations, and the Chamber's six regional marketing centers, is Al Hulvey.

Frank Coleman

Al Hulvey

Lonnie P. Taylor

Previously, Hulvey was president of Your Marketing Department, a Connecticut firm that sold marketing and advertising services to small consumer businesses. He also served in several senior management positions with ADVO Inc. and has worked for PepsiCo, Heublein, and Union Carbide Corp.

Lonnie P. Taylor was promoted from his position as director of Senate liaison for the Chamber to vice president for congressional affairs.

Taylor, who worked for the U.S. General Services Administration during the Bush administration and for 15 years for several members of Congress, will serve as the Chamber's chief lobbyist responsible for developing and implementing the organization's legislative strategies on Capitol Hill.

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Education Initiatives Launched

The Center for Workforce Preparation, an affiliate of the U.S. Chamber of Commerce, laid the groundwork in 1994 for a number of initiatives set to begin this year.

Created in April 1990, the center has as its mission to ensure that U.S. workers are prepared with the knowledge, skills, and attitudes needed to compete and succeed in the global economy of the 21st century, according to its executive director, Rae Nelson.

Among its accomplishments in 1994, the center:

■ Helped ensure that business principles were reflected in education and training initiatives, including the Goals 2000: Educate America Act, which established eight national education goals. The measure was signed into law on March 31, 1994. Goals 2000 is designed to help raise the caliber of America's work force by facilitating the development of voluntary academic and occupational skills standards.

■ Helped win passage of the School-to-Work Opportunities Act, which was signed into law on May 4, 1994. This statute provides federal grants to the states to establish school-to-work programs that link academic curricula with employers' job-skills needs.

■ Finalized plans for the New Century Workers initiative, which will involve employers in the development, implementation, and evaluation of school-to-work transition programs.

Key elements of the initiative, which will begin this year, include: identifying and profiling skills and job requirements and opportunities; training for local business leaders; and providing states and localities with multi-year assistance and evaluation efforts.

■ Produced three publications—*New Century Workers: Effective School-to-Work Transition Programs*; *Year Four: Community Efforts to Achieve the National Education Goals*; and *On Target: Effective Parental Involvement Programs*—designed to help businesses, communities, and parents prepare today's students for tomorrow's jobs.

The publication on parental involvement in education is part of a campaign by the U.S. Department of Education, parent groups, and business, including the Chamber, that was launched in early January 1995.

■ Prepared to expand the use of a school-finance model to assist school districts in making the most effective use of their educational resources.

■ Co-sponsored, with the Metropolitan Life Insurance Co., a conference on violence and crime in the schools. The forum highlighted the results from "The Metropolitan Life Survey of the American Teacher 1994: Violence in America's Public Schools."

In top photo, Harry P. Kamen, chairman of the board and chief executive officer of the Metropolitan Life Insurance Co., announces the results of a survey on school violence at a one-day conference held at the U.S. Chamber. The conference was co-sponsored by MetLife and the Chamber's Center for Workforce Preparation. In photo at left, students from schools in the Washington, D.C., area ask questions about the findings of the most recent of MetLife's annual surveys on the "American Teacher."

In 1994, the center concluded final negotiations with the Coopers & Lybrand accounting and consulting firm to develop a software package that can track how school dollars are spent and to provide technical assistance to communities wishing to use the school-finance model. A formal announcement of the development of the school-financing software—and of a site for its testing—was set for late February.

■ Served as host for 10 teleconference town meetings on education. The town meetings were a continuation of a monthly series begun in May 1992 that highlight promising education-reform practices. Eight of the 10 meetings in 1994 were broadcast by satellite to downlink sites throughout the country from the U.S. Chamber's television studios in Washington, D.C.

The series has been fully funded through June 1995 by pharmaceutical maker Miles Inc., the Corporation for Public Broadcasting, the Procter & Gamble Fund, and S.C. Johnson Wax. To date, the center has hosted 25 satellite town meetings.

Chamber Affiliate Pushes Democracy

The Center for International Private Enterprise (CIPE), an affiliate of the U.S. Chamber of Commerce, funded several organizations in 1994 in carrying out its mission of fostering democracy worldwide through market-based economics.

CIPE is the business participant in the federally funded National Endowment for Democracy, whose goal is to help spread and nurture free-market principles in developing countries. Organizations and initiatives funded by CIPE were:

Africa

The Institute of Economic Affairs in Ghana helped the government by initiating and stimulating public debate on various issues, providing analyses of legislation for lawmakers and policy-makers, and establishing links between lawmakers and business.

Asia

The Chinese Economist Society strengthened public understanding of market economics through a series of books on various business subjects, including accounting, business law, and corporate finance. The 14 books were designed to encourage interest in economic reform and to educate the public about how business operates in an open system. More than 420,000 books have been sold and are being used at Beijing University and other academic institutions.

The book series recently was awarded the China National Book Award for 1994 in recognition of its influence and effectiveness in enhancing awareness of market economics.

The Center for Research and Communications in the Philippines continued its economic advisory program to the government. Through economic policy papers, the center provided the Philippine Congress and executive branch cost-benefit analyses and market-oriented examinations of proposed legislation.

Central Europe

In the Czech Republic, the Institute of Economic Services of Charles University helped educate those government officials and business people involved in the privatization of state-owned property. It has organized discussion panels on privatization issues and published the bimonthly Czech- and English-language *Privatization Newsletter*.

Poland's Institute for Private Enterprise and Democracy promoted free enterprise by setting up a mechanism to allow private-sector concerns to be voiced to policy-makers. The Polish institute, affiliated with the Polish Chamber of Commerce, hosted two advocacy training seminars to mobilize the small-business community in Poland.

In Hungary, the Legal and Regulatory Reform Project, sponsored by the U.S. Agency for International Development, brought together prominent public-policy research institutes with business leaders to make policy recommendations to the Hungarian Parliament. The project was run through CIPE's Budapest office.

Recommendations from the project, including a reduction in the country's value-added tax, were presented at a policy-reform conference in September.

Commonwealth of Independent States

CIPE and Junior Achievement are working in Russia, the largest of the former Soviet republics, to develop instructional materials to teach Russian youngsters basic economics and the interrelationship of free markets, political democracy, and civil society.

In Belarus, the Independent Institute of Socio-Economic and Political Studies is promoting discussions on the economic platforms of the 1994-1995 candidates for the republic's parliament. The institute advocates free-market principles to key political, economic, and public figures in the country.

The Association of Entrepreneurs in Ukraine is producing and distributing publications to inform and educate its members and the public about moving to a market-based economy. Included among the association's publications is an 11-volume compendium of data on more than 150,000 European companies with which Ukrainian firms might form relationships.

Latin America

The Confederation of Bolivian Businessmen worked with lawmakers to develop jointly a list of topics for review by the Bolivian Congress, including political-party reform, the 1994 budget, and higher-education reform.

In Brazil, the Atlantic Institute undertook a variety of activities to help shape the economic debate for the 1994 national elections.

The institute provided technical assistance in drafting position papers on the economy for the country's largest political parties and, following the elections, pushed for a legislative agenda of national economic priorities the new Brazilian Congress should consider.

Through the National Economic Research Center, 75 Guatemalan journalists were trained to evaluate and comment accurately on issues related to economic reforms and democratization in the Central American country.

In addition to its work through organizations in fledgling democracies, CIPE also distributed in 1994 its quarterly journal, *Economic Reform Today*, to thousands of top policy-makers and business and opinion leaders around the globe.

CIPE

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Legal Center Scores Victories

The National Chamber Litigation Center, the public-policy law firm of the U.S. Chamber of Commerce, won a number of cases important to business in 1994.

Among them were victories on punitive damages in the U.S. Supreme Court, the Texas Supreme Court, and the Georgia Court of Appeals.

In the U.S. Supreme Court case, *Honda Motor Co. vs. Oberg*, the court agreed with NCLC that the due process clause of the Fifth Amendment of the Constitution requires that awards for punitive damages be reviewed for their reasonableness.

An Oregon jury had awarded Karl Oberg $5 million in punitive damages from Honda, in addition to more than $735,000 in compensatory damages, for an injury he received when a Honda all-terrain vehicle he was driving up a steep embankment overturned on him.

The trial court, the Oregon Court of Appeals, and the state supreme court denied Honda's challenge to the punitive-damages procedures and the size of the award.

The U.S. Supreme Court, however, ruled that judicial review of punitive damages awarded by juries is a constitutional safeguard against excessive fines and sent the case back to the Oregon Supreme Court for review. It is unclear when the Oregon court will rule on the matter.

In a case before the Georgia Court of Appeals, NCLC won a decision that involved punitive damages related to General Motors pickup trucks.

The parents of a man killed in a GM truck won $4.2 million on a wrongful-death claim and $105.2 million in punitive damages from a trial court in Fulton County, Ga. The appeals court, in *Moseley vs. General Motors*, overturned the punitive-damages award because the plaintiff's attorney referred at the trial court level to other cases involving pickup-truck accidents without demonstrating any similarities between them and his case.

NCLC argued that errors made by the trial court resulted in an excessive punitive-damages award.

The court's decision overturning the punitive-damages award was important to business because it precludes the GM case from being cited as a basis for awarding even higher punitive damages in other cases, said the Chamber litigation center.

NCLC's third 1994 victory on punitive damages came in a case in Texas. There, the state supreme court agreed with NCLC that juries considering punitive damages against a defendant should be given objective criteria rather than vague standards on which to base awards.

The U.S. Chamber's National Chamber Litigation Center won two important business cases before the U.S. Supreme Court last year, one dealing with punitive damages and the other with the retroactivity of the Civil Rights Act of 1991. It also won several cases at lower court levels.

In that case, *Transportation Insurance Co. vs. Moriel*, a worker injured on the job sued his employer's insurance firm for "gross negligence" when it disputed and delayed payment on some of his medical bills.

A jury awarded the employee $1,000 in actual damages, $100,000 for mental anguish, and $1 million in punitive damages.

The state supreme court agreed with NCLC's argument that Texas' gross-negligence standard lacked precision and clarity and, therefore, "encouraged juries to impose punitive damages for errors of judgment."

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Civil-Rights Retroactivity

NCLC also won an important case

before the U.S. Supreme Court involving the Civil Rights Act of 1991.

That law expanded the scope of the anti-discrimination Civil Rights Act of 1964 by, among other provisions, allowing jury trials and the awarding of punitive and compensatory damages for alleged employer discrimination.

NCLC and the Equal Employment Advisory Council successfully argued to the high court that the 1991 law should not be retroactive for cases pending on the date the act took effect—Nov. 21, 1991—because the statute did not contain language making the law retroactive.

The Supreme Court said in its decision that if Congress intended that the act be retroactive, it should have included language to that effect. The case was *Landgraf vs. USI Film Products, Bonar Packaging Inc., and Quantum Chemical Corp.* and *Harvis, Rivers and Davison vs. Roadway Express, Inc.*

Plant-Closing Decision

The U.S. Court of Appeals for the 6th Circuit, in Cincinnati, agreed with the Chamber legal center on the statute of limitations for bringing a suit against an employer for violations of the federal plant-closing law.

NCLC argued, in *United Mineworkers vs. Peabody Coal Co.*, that the statute of limitations for the Worker Adjustment and Retraining Notification Act should be the six-month period contained in the National Labor Relations Act rather than the longer—and inconsistent—limitation periods established by states.

Clean-Water Suits

In another victory last year, NCLC successfully argued that state administrative-enforcement actions against a company for violations of the federal Clean Water Act also bar private citizens' suits against the business for the same violations.

In *Arkansas Wildlife Federation vs. ICI Americas*, ICI, a chemical manufacturer, was sued for violating its water discharge permit by the federation under the citizen-suit provision of the Clean Water Act.

The law limits such suits, however, if "a state has commenced and is diligently prosecuting an action under state law" or if "the violator has paid a penalty assessed under ... comparable state law."

The state had fined the company $2,000 for the discharge-permit violation, but the environmental group was not satisfied with the penalty. It argued that the Arkansas pollution law under which the state fined the firm was not comparable with the Clean Water Act and thus did not preclude a citizen suit.

The U.S. 8th Circuit Court of Appeals, in St. Louis, agreed with NCLC that Congress did not intend that the limit on citizen suits in the Clean Water Act apply only to those situations where the state statute was an exact mirror image of federal administrative enforcement.

Pending Cases

NCLC is also involved in a number of pending cases before various courts and federal agencies.

Among the issues expected to be decided over the coming months are ones dealing with multiple penalties on an employer for a single violation of a workplace safety and health rule, age discrimination in employment, hazardous-waste regulations, and interpretations of the Clean Water Act.

Entrepreneurs Receive Awards

David Sams Jr., right, president and chief executive officer of Connecticut Mutual Life Insurance Co., presented the 1994 Blue Chip Enterprise Initiative awards to the four national designees at the U.S. Chamber's 1994 annual meeting. Receiving the awards were, left to right: Harry Bressler, co-founder, and John Zimmerman, president, Steiner/Bressler Advertising, Birmingham, Ala.; James Bouras, chief financial officer, and Michael J. Tourkistas, president and chief executive officer, East Coast Seafood, Inc., Lynn, Mass.; Ralph Grosswald, founder and president, GS Technologies, Inc., Fairfield, Iowa; and Elizabeth Kraftician, president, and Brian Joseph, laboratory director, Touchstone Research Laboratory, Inc., Triadelphia, W.Va. The awards program, sponsored by the Chamber, Connecticut Mutual, and *Nation's Business*, recognizes small businesses that have overcome adversity.

QUOTATIONS 1994

This sampling of comments from national leaders reflects the Chamber's key role on business-related issues in 1994.

"I want to commend the Chamber... for taking the leadership role [against the Clinton health plan]."

—House Speaker Newt Gingrich, R-Ga.

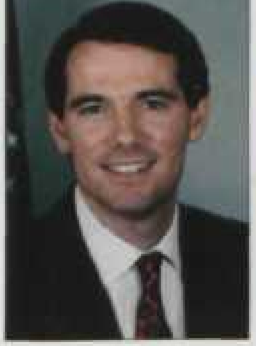
(With Gingrich, center, are Chamber Chairman William C. Marcil, left, and President Richard L. Lesher.)

"I just want to extend my thanks for your support of the GATT. Your assistance in defining this complex matter was crucial to its passage."

—Sen. Mitch McConnell, R-Ky.

"The business community, particularly the U.S. Chamber of Commerce, has really been at the forefront of our efforts to reform education."

—U.S. Education Secretary Richard Riley



"The U.S. Chamber deserves the credit for singlehandedly bringing the needs of the private sector to the forefront of the debate on unfunded mandates."

—Rep. Rob Portman, R-Ohio

"The U.S. Chamber of Commerce was very instrumental in helping to defeat the striker-replacement legislation."

—Sen. Orrin G. Hatch, R-Utah

"I am pleased that your organization has assumed a leading role in the fight against employer mandates."

—Rep. Jay C. Kim, R-Calif.

"Pro-business lawmakers on both sides of the aisle know that the U.S. Chamber—with the breadth of its membership, the strength of its grassroots organization, and the expertise and commitment of its staff—plays a critical role as an advocate for U.S. businesses and industry."

—Rep. Charles W. Stenholm, D-Texas